Italian premier

Tuesday April 21 1987

World news

PLO ends EEC and squabbles US 'lose and unites express in Algiers mail duty'

The Palestinian movement began a THE US and REC governments are crucial meeting in Algiers yester losing substantial amounts of revecrucial meeting in Algiers yester-day after squabbling factions of the Palestine Liberation Organisation with the requirements of the interwere reconciled in a move that is national express delivery industry, likely to push the organisation to a confidential survey says. Page 18 wards a more radical posture.

Mr Yasser Arafat, chairman of the PLO, was greeted warmly as he the PLO, was greeted warmly as he entered the conference chamber. Those at the meeting included Dr George Habash, secretary general of the Popular Front for the Liberation of Palestine, who had led opposition to Mr Arafat's attempts for a diplomatic solution to the Middle Part servicing them 18

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Table 11 - Sept 1

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Gandhi's challenge

Prime Minister Rajiv Gandhi, hofly defending his Government's hon-esty, challenged opponents in the Indian Parliament to produce evidence of alleged payoffs to politi-cians and officials in connection with the purchase of Swedish artil-lery. Page 2

Tamii rebels kili 16

Tamil separatist guerrillas in Sri Lanka raided a Sinbalese village and a security camp, killing 16 peo-ple, just four days after 126 bus pas-

Frankfurt clashes

Ten policemen and a woman were injured in clashes between police and demonstrators opposed to the new runway at Frankfurt airport. Petrol bombs were thrown at police,

who used tear gas. Guernica riots

Riots broke out in the Basque town of Guernica after a music festival held to mark the 50th anniversary of the town's bombing during the

Deportation ordered

The US Supreme Court desired the way for the deportation of Karl Linnas, accused of being a former Nazi death camp commandant in Esto-nia, to the Soviet Union. He faces the death penalty.

Secul death fall

Park Ken-suk, 58, chairman of Pan Ocean Shipping of South Kores, died in a fall from his tenth-floor office in Seoul. Police said he left a spicide note and had been worried by company debts.

Cyprus ambush

A British Army corporal and a teen-age girl were wounded in Cyprus when masked gunmen ambushed their military Land-Rover, reking it

Turkey exports water

Turkey is affering to supply up to 2bn cubic metres of drinking water a year to the Arabian peninsula.

Yugoslav strike

Yugoslav miners rejected an 18.3 per cent pay rise and vowed to con-tinue their 13-day strike in pursuit of a 100 per cent pay rise and dismissal of their managers.

Nuclear plant shut

The French nuclear plant at Fessenheim, in Alsace, where non-radioactive steam began escaping from a valve on Sunday, will remain shut for at least five days while techni-cians study the problem.

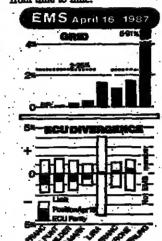
Former PM on trial

Former Prime Minister Moha Mzali, who fled Tunisia after being ed from office last July, pent on trial in absentia in Tunis for embezzlement and misma

ment of public funds Vietnamese vote

The streets of Ho Chi Minh City, formerly Saigon, were a blaze of red banners and flags on Sunday 85 millions voted in the first general election since 1983. Page 4

EUBOPEAN Monetary System: Currencies showed little change last week as trading volume eased ahead of the Easter break. Atten-tion remained focused on the US dollar. With the emphasis remain-ing on the dollar/yen rate, there was little overall movement against was little overall movement against the D.Mark. Consequently the weaker members of the system were unaffected. Most central banks were able to increase their foreign currency holdings by sup-porting the dollar on a modest scale from time to time.



on the weatest currency in the sys-tem, defines the cross rates from which no currency (except the lina) may move more than 2% per cent. The lower chart gives each curren-cy's divergence from its "central rate" against the European Curren-cy Unit (ECU), thelf a basket of Eu-ropean currencies.

WALL STREET: The Dow Jones industrial average closed 5.39 down at 2,270.50. Page 52

TOKYO: An early surge by export stocks took the kilkhei average briefly above 24,000 for the first time but shares fell back to close lower on nervousness about the high level of prices. The Nikkei ended 43.13 down at 23,895.22. Page 32 KHALA LUMPUR stock exchange sent a memorandum to the Malay-cian Finance Ministry protesting against a purported move to grant full broking licences to local banks.

NEW YORK Stock Exchange said it had sold a seat for a record \$850,000, a rise of \$225,000 from the

last sale on Jamuary 28. GOLD: In New York a roaring ailver market sparked a rally in other precious metals and pushed spot gold up \$2.28 to \$452.675 an ounce in hectic trading. London markets

MONSANTO, US chemicals group, reported net earnings of \$138m or \$1.76 a share in the first quarter of 1987, up from \$118m or \$1.52 a year

earlier. Page 19 CHASE MANHATTAN, third largest US commercial bank, earned

\$104m net profit in the first quarter, down 28 per cent on a year earlier

JAPAN AIR LINES, national flag carrier due to be privatised, faces heavy losses on foreign exchange if the dollar remains on a downtrend.

RON BRIERLEY, New Zealand entrepreneur, is poised to become the dominant force in New Zesland's gas distribution sector.

C. H. BEAZER, UK building group, is to proceed with an issue of shares in the US but may scale down its size to defuse shareholder opposition. Page 24

WE REGRET that North American prices were not available for this edition due to communication

Alfonsin sacks general and vows to resume trials

BY TIM COONE IN BUENOS AIRES

terday began a shake up of the mili-tary high command in the wake of the mutiny which has traumatised

Argentina this Easter week-end.

He sacked General Rios Erenu, the chief of staff, temporarily replacing him with the civilian Defence Minister, Mr Horacio Jaunarena. It is widely expected here that further heads will roll for failing to prevent the rebellion by junior officers which began last Wednesday in protest at continuing trials of military personnel for human rights trials of dent Alfonsin's courageous handlong of the situation, it is still not become a highly contentious issue clear whether any concessions have been made to the rebells. One of the reported demands of junior and middle ranking officers behind the prevent the rebellion by junior officers which began last Wednesday in protest at continuing trials of military personnel for human rights trials of dent Alfonsin's courageous handling of the situation, it is still not become a highly contentious issue clear whether any concessions have been made to the rebellion of the reported demands of junior and middle ranking officers behind the rebellion was a restructuring of the semingly deprived them of that the human rights trials of dent Alfonsin's courageous handling of the situation, it is still not become a highly contentious issue clear whether any concessions have reported demands of junior and middle ranking officers behind the rebellion was a restructuring of the semingly deprived them of that the human rights trials of about 200 military personnel and police will resume this week. The same the numan rights trials of the numan rights trials of about 200 military personnel and police will resume this week. The same the numan rights trials of the situation, it is still not become a highly contentious issue clear whether any concessions have the numan rights trials. They have been arguing that they were reported demands of junior and interported the numan rights trials. They have been arguing that they were reported demands of junior and interported the numan rights trials. They have been arguing that they were been arguing that they were report

Despite the euphoria which has courts.

In a further assertion of authority, the Government has announced the mutiny on Sunday, and Presicers for abuses committed during

rebellion, although they are expected to be placed before military

President Alfonsin had to intervene personally and talk to the leader of the rebels in Buenos Aires, Lt Col Aldo Rico, to obtain their surren-

Baker

defends

them with forces thought loyal to the Government failed when it became apparent that they were wavering in their advance upon the re-

In an atmosphere charged with victory, President Alfonsin addressed a huge crowd in the centre of Buenos Aires, saying that he had decided to go in person to talk to the rebels. He then flew by helicopter to the infantry training school, followed by scores of political leaders in a motorcade. After lengthy negotiations, Lt Col Rico agreed to surrender.



Continued on Page 18 Analysis, Page 3

Nato seeks united response to Soviet arms cut proposals

BY LIONEL BARBER IN WASHINGTON

HIGH-LEVEL Nato officials yesterday began a week of talks in the US
to discuss the Soviet Union's sweeping arms control proposals in an efGorbachev. Mr Paul Nitze, the semissiles represented the barrier befort to ensure that European security is not undermined.

A vocal minority of American politicians and commentators are beginning to express doubts about the proposed superpower agree-ment to rid Europe of medium-range nuclear missiles and the So-viet Union's latest offer to abolish all short-range weapons over a period of one year as a step towards a denuclearised Europe.

These doubts are shared by several European members of Nato and this week's talks—to be chaired

reekend to counter the impression ish m

nior American negotiator, said: "We don't have an agreement until the details are nailed down."

Mr Viktor Karpov, the top Soviet negotiator, was also cautious about the prospect for agreement during a US television interview, but he said removal of the medium-range (INF) weapons was "a first step towards a arised Europe.

The Nato talks will examine how and this week's talks—to be chaired by Mr Richard Perle, the hardfine assistant Secretary of Defence, in Albiquerque, New Mexico—are designed to frame a joint allied response to the latest Soviet proposals.

US officials attismpted at the weeks designed to produce a weeks designed West Europeans, stripped of their medium-range missile arsenal,

Mr Perle said last week that Enrope could still rely on 4,800 US warheads for tactical missiles and artillery shells. But Nato experts want more than that some are reported to favour the highly accurate sea-leunched cruise missiles as INF

conventional weapons have almost three weeks designed to produce a US officials attempted at the been ignored in the march to aboligint Nato response to Mr Gozbaweekend to counter the impression ish nuclear weapons.

Asian countries must expect slower growth, says ADB

BY ROBIN PAULEY, ASIA EDITOR, IN LONDON

NEWLY industrializing countries pected to have average growth able levels.

(NICs) in Asia must expect lower rates of between 6 per cent and 8 This could only be avoided by economic growth rates this year per cent, well down on recent figurations and Singapore, once the regions' trees. The fourth, Singapore, may growth in exports and the availabilitiest star, will fare worse than most because of its continuing serious economic adjustment problems, eagle growth rate of the past decoderitie."

This could only be avoided by maintaining a commensurate growth in exports and the availabilities of the continuing serious economic adjustment problems, and provided by the support of the past decoderity.

most because of its continuing serious economic adjustment problems, according to the Asian Development Bank's annual report.

The cost advantages recently respect by NICs such as falling interest rates and lower prices – for are likely to decline, while demand for their products in developed countries is illely to slow down. This will be caused by low growth in gross domestic product in the major economies of the world, protectionist pressures and increased competition, the report says.

Three of the NICs – Hong Kong, South Korea and Taiwan – are extended to improve their growth in competition of payments.

The cost advantages recently respect to interest contractica in 1985 and 1.9 least to all the per cent growth in 1985 and 1.9 least to allie cost to finance current account deficits.

Last year, the ADB approved per cent contractica in 1985 and 1.9 least totalling S2bn, less than envisaged and only slightly above the creating difficulty for many countries to increase development fine Philippines which has suffered nancing as the fall in commodity prices has depressed their export.

Malaysia and Thailand.

The Bank warns that moves to wards greater trade liberalization among the Asian countries could be frustrated by a sharp growth in current account deficits.

Last year, the ADB approved least to liberalize and only slightly above the creating difficulty for many countries to increase development fine their product in the improvement on the 1.8.

Last year, the ADB approved least to least to finance current account deficits.

Last year, the ADB approved to least to fine per cent contraction in 1985 and 1.9 least to saged and only slightly above the creating difficulty for many countries to increase development fine prices has depressed their export two years of severe recession, are the fall in commodity prices has depressed their export two years of severe precise countries to increase development fine prices has depressed their export two years of severe precise countries to increase development fine pric

Nakasone tax move rejected

BY IAN RODGER IN TOKYO

Washington next week.

JAPAN is finding it increasingly the weekend, the new stimulus made substantial efforts to expand difficult to comply with US depackage agreed by leaders of the domestic demand in the past year, mands to stimulate its economy following a decision by opposition parties to reject a government plan to shelve the introduction of a value shelve the introduction of a va

duce any new stimulative measures Mr Clayton Yeutter, who is in To-until the budget is passed. More-over, the budget must be passed to-Government to introduce such mea-a large scale indirect tax. day if the measures are to be intro-sures as soon as possible as a duced before Mr Yasuhiro Naka-means of redressing its large trade sone, the Prime minister, visits surplus.

Mr Yeutter told the Government According to reports in Tokyo at there were no signs that Japan had

shelve the introduction of a valueadded type sales tax.

The opposition has demanded the
withdrawal of the umpopular sales
tax plan as a condition of their cooperation in passing the 1987-88
budget. The Government appears to
have little choice but to bend to
their wishes.

The Government cannot introduce any new stimulative measures

has been under discussion until recently. One party official in Tokyo
said the package might have to be
worth between Y7,000hn and
were impact on its ability to allay
Western critics. It has gone to considerable lengths in the past few
days to appease opposition anger
over the sales tax plan. Mr Nakamy continued to rise yesterday,
our them, he said.

But the Government's domestic
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over the sales tax plan. Mr Nakasome admitted on Friday for the control of the political difficulties are having a seworth between Y7,000hn and
were impact on its ability to allay
were impact on its ability to allay
were impact on its ability to allay
the political difficulties are having a seworth political difficulties are having a sewo Yesterday, Mr Shin Kanemaru,

Continued on Page 18

Less of face but not of business. Page 2

LAND

facing President Corazon Aquino, Page 4

Management: West German small businesses 12 Export credits: time for ECGD to cut its Editorial comment: unemployment: Hong Kong refugee camps...... 18 Lombard: when nanny knows best .. 17 Interview: Ernest Gellner, holy war

Survey: Section III

monetary stance

MR JAMES BAKER, US Treesumit James Rakel, Us treasury Secretary yesterday said the Reagan Administration was satisfied with the present course of US monetary policy, thereby distancing himself from conservatives who have raised fears about the Federal Reserve Board tightening money in defence of the dollar.

Mr Baker, speaking on US television, indicated that co-ordi-nated intervention by the central banks coupled with this month's agreement by the seven major industrialised countries to keep exchange rates around current levels, would be the administra-tion's frontline defence of the dollar. He also cited last week's

dollar. He also cited last week's keynote speech in New York where he declared, mequivocally, that the full in the US dollar had gone far cough.

The croding value of the dollar and tensions over trade, particularly with Japun, have raised lasts in the US about an imminent view in interest rates which stears in the US about an immi-nent rise in interest rates which in turn could push a singgish consony into a simmy after lour years of usinterrupted growth.

Last week Mr James Miller, President Round Rengan's bud-get director, issued a blunt warn-ing to the federal reserve not to thriven pomey annuly: "Jero con-

numbers may portend a substan-tial slowdown a year from now."

Hir Miller added: "I need not tell you that has political conse-quences. My fear is that if we get hats a recession we are in deep acoup and there is no question about it."

The White House subsequently rebaked Mr Miller for his re-

Amoco offers C\$5.1bn for Canadian rival

BY BERNARD SIMON IN TORONTO

survival under the weight of its CS6.4bn debt. Mr Howard MacDonald, chair-

earlier this year. But the transaction is subject to

competing offer from TransCanada PipeLines (TCPL), the Toronto-based pipeline operator, whose orig-inal CAJbn hid was rejected by

Dome last week. Moody's, the credit-rating agen-cy, yesterday placed the Triple A debt ratings of Amoto Corporation and related companies under re-view for a possible downgrade, in

Since a debt-financed acquisition become a symbol of efforts to increase Canadian control in the po-litically sensitive energy industry. The company has been a leading beneficiary of government explora-tion incentives and tax concessions.

Amoco's wholly-owned Canadian tiate," Continued on Page 18 tensive oil and gas reserves, includ- get.

AMOCO, the Chicago-based oil ing a number of jointly-owned prop-group, will become the higgest oil erties. and gas producer in Canada if it succeeds with a CSS. Ibn (SS. Sbn) of-of cash, debt securities and conver-

to support the Amoco bid as a satis-factory solution to the Canadian the Toronto Stock Exchange last

man, said the Amoco bid was "clear-ly better" than the restructuring proposals which Dome had present-gotiate a takeover bid before we get

approval by the Canadian Government and the creditors, who are expected to raise questions about their respective political and commercial interests. There is also the possibility of a

response to the takeover bid.

fer for Dome Petroleum, the debt-tible debentures worth about CS7 a laden western Canadian energy share to preferred shareholders ders. These were roughly the pre-

Details of payments to creditors were not disclosed. An official at one of Dome's leading Canadian

The banks' concerns are likely to centre on the apparent priority of

them more generous terms.

The Canadian Government is Amoco bid in the absence of a counter-offer. The acquisition of Dome by a US company would reduce do-mestic ownership in the Canadian oil and gas industry from 60 per cent to 50 per cent. But Ottawa has indicated that it would allow for-

eign takeovers of compenies in fi-nancial difficulty. In a statement, the Federal energy department said: "It is good for western Canada that the Dome is-

Meanwhile, TCPL said it had not given up its efforts to acquire Dome. Mr Gerald Maier, TCPL's president, said: "We have improved our original proposal and we've told Dome we're still prepared to nego-

subsidiary, Amoco Canada Petro-leum, said the transaction would fa-cilitate development of Dome's ex-made it an attractive takeover tar-

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from Heathrow, Gatwick, Stansted, Birmingham, Manchester Bristol Aberdeen, Edinburgh, Dublin, Cork, Shannon and Jersey. That's a pretty comprehensive service. It's also quick but nevertheless comfortable, Basically (or rother knowiously) because we've upgraded Club Class on our London-Paris route adding 50% extra seating. But then, even Economy Class

offers not only more legroom but in-flight catering with complimentary wine or drinks. Just one call books your flight, hotel, hire car Air France. Breathe the words.

AIR FRANCE A

TAKE A DEEP BREATH.

Blombs 28 June 24 September

Companies 19, 22, 23

Companies 24, 25



PHILIPPINE REFORMS

The difficult task

International capital markets

Italy's caretaker Premier faces hostile parliament

NEWLY SWORN-IN Itakan Christian Democrationly gov-Prime Einister Amintore Fan-fanl, the 79-year-old Christian certainly be defeated in a con-Democrat who formed a care-taker government at the week-end- went before a hostile parliament yesterday to begin a debate which is expected to end in a vote of no confidence and early elections in June. The Fanfani government, which is made up only of which is made up only or 16 Christian Democrat and nine non-elected technocrat ministers, has come under heavy fire from outgoing Socialist Prime Minister Bettino Crax. Mr Craxi has attacked both the new experiment and Crax. Mr Craxi has attacked both the new government and President Francesco Cossiga (for having given it a mandate) as being in violation of Italy's constitution because, he said, the government was designed to provoke the dissolution of parliament and not to govern.

Mr Craxi's unusually violent criticism, which came in an already poisoned political atmosphere, was followed by an even greater insult from the former prime minister, who, instead of greater insult from the former prime minister, who, instead of being at his office in the Palazzo Chigi on Saturday to officially hand over his administration to Mr Fanfani, flew off in a gov-ernment aircraft to his villa in Tunisia far t') : Easter weekend. This absence, the first such breaking of this protocol in the

fidence vote and then preside over elections.

Mr Craxi's Socialists—as well as the Republicans, Liberals and Social Democrats — the other members of the fallen five-party coalition government, have refused to join Mr Fanfani, who is heading his sixth government since the 1950s.

The Fanfani government is meant to be an "institutional" government and above politics. But Mr Craxi has said: "The only thing institutional about this government is the presence of the Christian Democrats."

The debate in Parliament The denate in Parliament began in an extremely confused and hostile environment. While Italy's tiny Radical Party is threatening to filibuster in parliament as a protest at the automatic cancelling of referenda on nuclear energy and judicial reform which would judicial reform which would accompany the dissolution of parliament and calling of elections, the debate will also be lengthered by an expected 25 hours of Socialist interventions.

In addition, the Republican Party holds its congress in Florence later this week. Parliamentary debate is usually suspended during a party congress. history of the Italian republic. For these reasons it could be was a clear sign of Mr Craxi's next week before a confidence fury at the appointment of a vote is called.

Soviet nuclear blast for construction work'

A SOVIET scientist suggested easier and cheaper."
yesterday that Moscow's latest He said yesterday' underground nuclear explo-sions may have been conducted

Moscow.

Mr Vitaly Goldansky, of the Soviet Academy of Sciences, told the official Tass news agency that two underground nuclear detonations in the Urals region of Perm on Sunday had been carried out sary to blow up especially poses.

Mr Goldansky said explosive devices of all sorts were used ducted six underground succear for the construction of roads, mines and reservoirs, adding: imposed test freeze last February.

He said yesterday's blasts of less than 20 kilotons had no-thing in common with military tests carried out by the Soviet Union at its Semipalatinek site

Carla Rapoport assesses the likely impact on Tokyo of US trade sanctions

Japanese lose face, but not much business

punitive tariffs on Japanese ex-ports have caused a loss of face in Japan, but not a big loss of

business.
While Government officials continued feverish attempts to scind last week's action, industry executives were breathing a sigh of relief that the sanctions were not more pultive. Last Friday, the US announced the imposition of 100 per cent tariffs on \$500m (f187.5m) of Japanese colour televisions, desktop and small personal computers and power train. tools. The Ministry for International Trade and Industry (Miti), says only about 20 Japa-

nese companies will be affected by sanctions. The hardest-hit will be per-The hardest-hit will be personal computer makers, but all these companies are well diversified and leaders among Japan's huge electronics industry. As such they will be able to bear the loss of exports without too much discomfort.

As for power tools — a joker in the pack as the US-Japan row is over semiconductor trade — the industry is not overly concerned. The industry leader, Makita Electric, says leader, Makita Electric, says about 5 per cent of its US ex-ports will be affected, worth about \$10m.

The sanctions against Japan will remain in place for at least three months, according to leading members of the US electronics industry, Mr Revin Relea, chairman of the American Electronics Association, the leading US electronics industry associa-tion, said in Tokyo yesterday that the sanctions could be lifted within three months if

sanctions, imposed because of the breakdown of an eight-month-old semiconductor trade pact between the countries.

Sony's outspoken chairman, Mr Akio Morita, for example, said that Japanese resentment provoked by the trade conflict "may be based, in part, on the

feelings that American . . . criticisms do not arise from

tangible sign" that semi-conductor trade between the US and Japan had improved. Mr Ralph Thomsen, senter vice president of AEA, said: "This position cannot be turned around in three days. It will take at least a month to determine the statistics and two months to determine the trend," he said.

A broker for one of Japan's leading securities houses said yesterday: "It's a fiea bite on the back of Japanese industry. "end the cancerous money The main embarassment is a political one."

Japanese industry leaders businessmen to think in the helped to fan the flames of the dispute at the weekend, hitting dactivity."

back at the Americans for the sanctions, imposed because of Toshiba as well as the Elec-Mr Shoichi Saba, chairman of Toshiba as well as the Electronics Industries Association of Japan, said that US companies should make more aggressive efforts to penetrate the Japanese market. He defended the heavy investment that Japan continues to make in the semiconductor industry, saying that it leads to an expansion in demand, in turn "tuelling further technological advancement and even lower

This argument is at the crux advancement and even lower

This argument is at the crux of the debate between the two countries. American chipmakers claim that heavy Japanese investment in chip pro-Japanese investment in chip production creates over-capacity and leads to dumping, that is selling chips below production costs. The Japanese reply that this is merely taking a long-term view of the industry's potential for growth.

Some industry executives continued to criticise the Americans for producing inferior continued to criticise the Americans for producing inferior goods. A manager at Hitachi, for example, said: "We would like to purchase more foreign materials (semiconductors, etc) but the foreigners must meet our requirements for specification, delivery times, and quality," implying that these conditions were not being met.

Both men stressed that the sanctions, which they believe are more symbolic than puni-

In the meantime, Miti officials are hard at work on finding a solution to the bubbling trade row. The Trade Minister, Hajime Tamura, said at the weekend that Japan had "decided against taking any immediate retallatory move." are more symbolic train puni-tive, emerged out of the growing scase of frustration: with Japan for its failure to rectify the trade imbalance with the US. "I don't know (if) you can imagine the tramendously high tide of protectionism" in the US, said for Kelen. Today and tomorrow, he will old two rounds of talks in Tokyo, with the US trade representative, Mr Clayton Yeutter, with the aim of eliminating the tariffs at the earliest possible

Mr Tamura told reporters the

US move was a political tactic aimed at curbing protectionist pressure in Congress. Now that the move has been taken, he believes his talks with Mr believes his talks with Mr
Yeutter have a reasonable
chance of success. So far, Mr
Yeutter has declined to comment on the issue.

Mr Makoto Kuroda, the
deputy Trade Minister, and
Mit's chief negotiator, is more
pessimistic. He believes it will
be impossible for Washington to
reneal the measures without repeal the measures without clear-cut evidence, such as an clear-cut evidence, such as an improvement in trade figures. Failing an immediate solution. Japan's hopes will be pinned on the Prime Minister, Mr Yasuhiro Nakasone, who files to Washington for talks next Wednesday. He would be crossing the Pacific "with a heavy burden on his back."

S Africa troops guard railways

THE South African Govern THE South African Government's security forces were deployed at railway marshalling yards and stations yesterday in an effort to end a sixweek strike which has been joined by about 20,000 black railway workers.

railway workers.

Dr Bart Grové, the general manager of the state-owned South African Transport Services (Sats), had warned on Sunday that police and troops were to be called in on Easter Monday to protect railway property and passengers. They are also to protect workers whom Dr Grové alleged had been intimidated into striking but who wished to return to work.

The railways were reported

The railways were reported to be quiet as the troops and polica moved into position yesterday, though it was not immediately clear whether this was because of the Easter Monday public holiday or because the strike was breaking.

US House may back trade curbs

A BILL forcing other countries to cut their trade surpluses with the US is very likely to be passed by the US House of Representatives next week, Mr Thomas Foley the House Majority leader, said yesterday, Renter reports from Tokyo.

He said he believed the House would back a Trade Bill amendment moved by Mr Richard Gephardt, a Democrat Congressman from Mississippi.

"I do not intend to support the Gephardt Amendment myself, but I believe that a majority of the House will support it and it will become part of the House-passed bill," he said.

The amendment would

or the southerpassed that, he said.

The amendment would enforce a 10 per cent a year reduction in the trade surphuses of those nations involved. Countries would be targeted under a formula taking into account the size of the surplus and the length of time the trade imbalance had persisted.

Japan, Hong Kong, Taiwan, Brazil, Italy and West Germany would be immediately affected if the bill passed the House and Senate and were approved by President Reagan, said Mr Foley, who is attending an annual US-Japan forum in Tokyo.

Tokyo.

US political sources at the conference predicted that such a bill would also pass the Senate.

Mr Foley said that Japanese officials and businessmen at the forum, the Shimoda Conference, were greatly concerned over the likelihood of the House passing such a bill, which had previously been in doubt.

Last week the US imposed punitive triffs on a range of

punitive tariffs on a range of Japanese electrical products

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Gandhi pledge over bribes

By John Elflott in New Delhi

MR RAJIV GANDEL India's Prime Minister, yesterday promised to take the "severest promised to take the "severest action" against anyone who had received bribes in connection with a \$1.4bn (£875m) Howitzer gun order placed by India's Ministry of Defence with Bofors of Sweden a year ago. Mr Gandhi was trying to regain the political initiative after three weeks of political after three weeks of political storms involving alleged corrup-tion which have undermined his image of leading a clean He challenged members of

opposition parties during a rowdy parliamentary debate to produce detailed allegations of charges first broadcast on Swedish State Radio last week that bribes of up to \$16m were being paid to Indian politicians and officials by Botors.

Botors and the Indian and Swedish Consumments have

ERRATIC MARKET RESPONSE FEARED

Blunt Deng worries Hong Kong

BY DAVID DODWELL IN HONG KONG

legitimate grievances, but more "fuellin from an increasing tendency to advance blame Japan for problems of prices."

HONG KONG investors face an anxious few hours this morning as they watch to see if share prices alump in response to blunt comments ahead of the Easter holiday weekend by Deng Kiaoping, China's octogenarian leader. These or political reform, which will repeated China's right to intervene if activities "in the guise of democracy" turned Hong Kong into "an anti-mainland hase."

It is thought that Peking, anticipating an erratic stock market response, had ensured that Deng's comments did not reach the British territory until after the stock market closed on Thursday for its longest and community, which sees demo-race in stone.

Hong Kong Government in the final seasitive time, with the Hong to political figures as an attempt to veto the idea of political figures as an attempt to veto the idea of direct elections. Hong Kong government direct elections to the Legislative Council, Hong Kong's anxious in recent months over the base."

It is thought that Peking, anticipating an erratic stock market response, had ensured that Deng's comments did not reach the British territory until after the stock market closed on Thursday for its longest holiday of the year.

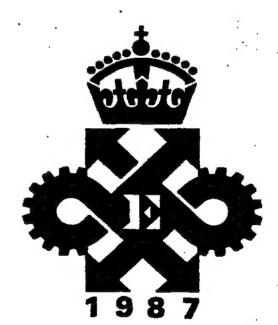
It is thought that Peking, anticipating an erratic stock market response, had ensured that Deng's comments did not reach the British territory until after the stock market closed on Thursday for its longest holiday of the year. His statement was made in Peking to Hong Kong members of the Besic Law Drafting Com-mittee, the body that is prepar-

In this debate, advocates of direct elections as a means of insulating Hong Kong from political interference from Peking are pitched against the more conservative business community, which sees democracy as opening a Pandora's box of political conflict and populist policymaking.

Many commentators had predicted that last week's five-day

Officials are still unclear why Peking has chilled to the idea of introducing at least partial direct elections in 1988.

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CRISIS IN ARGENTINA

People unite to save Alfonsin at darkest hour

BY TIM COONE IN BUENOS AIRES

Argentine, Nancy Dunne reports from Washington.

commands officers who had seized the infantry school. A considerable proportion were veterans of the Falklands war and six of those interviewed by the Financial Times insisted their intention was not to carry out a military coup but to force a political solu-tion to the human rights trials.

One bitter source of coinplant was that the trials had passed over some of the higher ranks as part of a deal done by the radicals and senior military officers before the return to civilian rule, but who they claimed were just as guilty as the junior officers now being tried.

prompted and now have luxury flats and cars," said one rebel

captain.

Lt. Calonel Aldo Rico, the rebels' leader claimed at the weekend that other units had come out in support of them. Indeed it became obvious that, by bringing in units of the Second Army Corps from the provincial capital of Reserio to provincial capital of Reserie to put down the mutiny, the Government could not rely on those available in Buenos Aires.

THE Easter rebellion in Argentina ended bloodlessly with the Government in control, democracy intact and order seemingly restored in the army's chain of command.

But the crisis represented President Raul Alfonsin's derkest hours in 40 months in office. Last Saturday there appeared a serious possibility that his Government had lost the initiative to the rebels.

The initial thrust of the

appeared a serious possibility that his Government had lost the initial thrust of the rebels.

The initial thrust of the second arise, proposed the revilian population to close trails, behind the Government to defend the newly-won demonstrate of the politicians, probably for the politicians, probably for the probably for the politicians, probably for the probably for the politicians, probably for the probably proba

The military coups or rebel-lions that have littered Argen-tina's history have been instigated or supported by one or more powerful economic and

In contrast, last week's mutiny was confined almost entirely to the middle ranks of the army, with no wider support base in society and whose principal complaint was over the course of the human rights trials which have begun to put some of their number behind bars. Their hope, which almost succeeded, was that other units throughout the armed forces would come out in support of them.

The breathrough came only on Sunday afternoon when President Alfonsin told a cheering crowd, estimated at 300,000, in the historic Plaza de Mayo in front of the presidential palace: "Wait for me here, I am going personally to obtain the surrender of the mutineers."

As crowds insulted the rebels at the entrances to the base three tense hours passed before President Altonsin returned to announce emotionally: "Happy Easter. The rebels have given up. They will be detained and put on trial."



Jimmy Burns charts the career of President Alfonsin

Raulito's long battle for democracy

THE PERSONAL stand taken by President Raul Alfonsin during the weekend military crisis may have surprised the outside world and even many of his fellow countrymen but in the town of Cascomus, some 120 miles south-west of Buenos Aires it will have been inter-preted as something which comes naturally to 'Raulito."

Mr Alfonsin was born in Chascomus 57 years ago into a family of shopkeepers of mixed Spanish and Welsh descent — his maternal grandfather was called Foulkes. This makes his a distant cousin of the British Labour party's spokes-



But in those days a military education like studying for the priesthood, was a chesp and easy way for a boy to get a reasonable private schooling. It also provided an aspiring politician with a unique insight into the military mind.

The remained the establishment of a full parliamentary system as the only political solution to Argentina's long-standing problems.

He remained the rebel in the conservative pack, his left-of-centre faction contrasting with

Mr Alfonsin quit the scademy the cautious politics of the late as soon as he had completed his secondary schooling and took law exams instead By the Until the Falklands War in

He remained the rebel in the conservative pack, his left-of-centre faction contrasting with

took law exams instead. By the mid-1940s he was actively involved in politics, joining the opposition to General Juan Peron, who had laid the foundations of an authoritarian state after forming part of a young officers' coup.

Peron himself was toppled in a military uprising in 1956, but the figure of the caudillo was

British Labour party's spokesman on foreign affairs, Mr
George Foulkes.

The Alfonsin's Argentine cousins, has remained a focal point of communal activity at where the family has been able to gauge far more accurately at the hopes and fears of ordinary people.

When I first interviewed Mr Alfonsin in December 1983, soon after he had been elected a president, he wanted to talk a soon after he had been elected a president, he wanted to talk a provident in the figure of the couldillo was to continue to dominate Argentinian politics. In swift succession, a series of civilian governments were toppled by military interventions always with the backing of a sector of the population.

However, the memory of the memory of the coup pervaded much of his later, Serain, a soon after he had been elected a president, he wanted to talk a soon after he had been elected a president, he wanted to talk a soon after he had been elected a president, he wanted to talk a provident himself was topped in 1936, but the figure of the caudillo was to continue to dominate Argentinian politics. In swift succession, a series of civilian governments were toppled by military interventions always with the backing of a sector of the population.

In 1972 Mr Alfonsin formed Removable of the proved himself was toppled in a long line of military coups in 1930. In that year Mr Alfonsin was only three years. However, the memory of the countino was only three years. However, the memory of the conversion y Cambio—Remeal and Change. Argentina at the time was on the threshold of civil war between the armed forces and left-wing guerrillas, in which words like Renewal and Change had become synonymous with Marxism and the military school revolution. In fact Mr Alfonsin managed to was sent to military chools of civil and the familitary school the familitary coups in insoling the familitary coups in military coups in solution.

In 1972 Mr Alfonsin formed forces and left-wing guerrillas, in which words like Renewal and Change had become any of civil and the prove





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A mild Prague spring

chev is a good recommendation for a Czech these days, especially one as a capitalist market. The general

Gorbachev from the time both were students in Moscow in the early 1950s. Mr Komarek studied eco-

Today, Mr Gorbachev is spearading the most ambitious Soviet reform programme since Lenin's new economic policy in 1921. Mr en a greater say in determin Komarek more modestly heads the vestments, wages, and the in Prague. While providing the Government with reliable economic analyses, it has long been a convenie with reform minded Planned Economic Management.

Mr Komarek's time, however, may have come - once again - as the conservative Czechoslovak leaderahip begins to grapple with eco-nomic reform. Having presided over a protracted decline of Czechoslovak industry, the centrallyplanned econom ic system has reached the end of its rope.

Mr Komarek's experience of eco-nomic reform dates back to the time of the late Soviet leader, Mr Nikita Kruschev, who wanted to break the central planning monopo-ly. As a young official of the state nning commission in Prague in the early 1960s, Mr Komarek worked closely with Soviet officials of the new State Economic Council, Goseconsoviet. It was created to re-place the party's control of the econ-omy with that of the Government.

Reformist tendencies in Czechosdevakia survived even the downtant of Mr Kruschev. By 1966, a partial many senior party officials asing reform of industrial management with the economic ministries and company managers.

The procrastinators regard even limited reform as a virginial reform as a vi which, as Mr Kruschev envisoined, was designed to break the rule of the central plan.

The chairman of the Reform Corneil was Mr Lubomir Strongal Professor Ota Sik, father of the Cze-sellers.

A PERSONAL acquaintance with choslovak Economic Reform, who Soviet leader, Mr Mikhail Gorbamaintained that a "socialist marwho advocates wide-ranging eco- secretary of the Economic Council was Mr Komarek.

Events have come full circle. The Czechoslovak economist, knows Mr language used by the economic Gorbachev from the time both were "restructurers" in Moscow and Prague is remarkably similar to Mr Sik's. According to the "principles Gorbachev, a law student, during earlier this year in Prague, compa-activities of the Soviet youth orga-nisation, Komsomol. burdened with a mass of obligatory planning targets from above. At the same time, managers are to be givvestments, wages, and the size of their work force.

noted in Prague recently that much greater use would be made of prices, exchange rates, credits and interest rates. Asked whether the same officials who had opposed economic reform since 1968 would now be able to carry it out, his reply was a laconic "yes."

But many Czech economists are less confident about the outlook for reform. Prestavba (the Czech version of Perestrojka in Moscow), sion of Perestrojka in Moscow), they note, was drawn up by bureaucrats, albeit skilled ones. They refer to them as the "clerks" of the reform and say their thinking is dominated by the "techniques" of management, with emphasis on changing economic indicators and tools. They are now busy drafting a document on implementing the

kertormist renoencies in Cascalas-lovakia survived even the downfall economic reform are opposed by of Mr Kruschev. By 1966, a partial many senior party officials along reform of industrial management with the economic ministries and

sal. During the reformist "Prague" the present limited reform as a vir-spring of 1968, a Government Eco-nomic Council was set up in Prague are still convinced of the superiority of the central planning system.

They are at work whenever the authorities adopt a reform and are
able to break it with their immense

then deputy prime minister, who is Mr Komarek says for econom now once again in charge of an eco-reform in Czechoslovakia or the Sonomic reform programme, as the viet Union to be successful it must Czech Prime Minister. Deputy create a full-blooded market and chairman of the council in 1968 was end domination by the monopoly

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Vietnamese vote in a blaze of red banners

THE STREETS of H₀ Chi Minh City, formerly the South Vietnamese capital of Saigon, on Suaday were a blaze of red banners and fags

as millions of voters went to the polls in the first Victuamese general elections since 1983. Sound trucks rolled Sound trucks rolled through the streets blaring

through the streets blaring out propagamia messages over the din of load martial music and the ring of bleycle bells.

Mr Pham Hung, the second ranking man on the polithers of the Vietnamese Communist Party, declared the election to be a great day for Vietnamese democracy, after he east the opening ballot at his local polling station at 7 am in Ho Chi Mish City.

The election would pass none of the tests for democracy set in the West, but it has undeniably involved much greater public participation than similar events in the past.

much greater public participation than similar events in the past.

Nearly twice as many candidates stood for office as seats available, and voters were invited to attend a series of public railles where they could ask questions and hear the candidate, Mr Nguyen Xuan Ganh, said he was consident of winning since he received loud cheers at the railles. Mr Ganh is a Harvardirained economist who served as the central bank governor and deputy prime minister under the former South Vietnamese government, which was overthrown by the Communists in 1975. Mr Ganh is a propenent of economise reforms in Vietnam and is an advisor to the Central Flanning Commission in Ranoi and the Ho Chi Minh City Peoples Committee, the equivalent to a municipal council.

The role of local opinion

equivalent to a municipal council.

The role of local opinion in Vicinam took a big leap forward last year during preparations for the report of the sixth party congress in December, which ushered in a new state of party leaders dedicated to economic reform. Early drafts of the

a new sizes or party learners dedicated to economic reform. Early drafts of the report were roundly criticised in the localities for being unrealistic, and the final report was amended to produce what amounted to a devasting admission of failure to manage the economy by the Sormer leadership of the party.

The newly-elected National Assembly—the results will be announced lafer—is unlikely to supplant the Communist Party as the focus of political power. It may however begin to function more as a consultative body and as a sounding board for policy.

beard for policy.

It will formally select a new Cabinet in June, when it meets for the first time, and set to work on the management of the Vietnamese

Oman seeks to postpone Tornado deal

By Andrew Gowers, recently

OMAN IS in negotiations with Britain aimed at post-pening its planned purchase of up to eight Tornado fighter aircraft from Britain until 1982 at the earliest. A new sharp fall in oil prices could put the whole deal in doubt, according to a senior Omani Minister.

Mr Qais bin Abdul Munima all Zawawi, the country's

al Zawawi, the country's deputy Prime Minister for economic and financial affairs, said in an interview that, even in the early 1996s, the deal, which has already been postponed once, will proceed only if financing can be

irranged. In the meantime, the suitanate had suggested to British Aerospace—leader of Panavia, a tri-pational Euro-pean consortium which manu-factures Tornado—that it factures Tornado—that it deliver the alreraft reserved for Oman to another buyer. He also revealed that teething troubles had been experienced in Oman's trials with Tornado, which meant the suitanante was having to consider acquiring a more expensive model.

Oman's Tornado deal—unofficially costed at over unofficially costed at over \$250m when it was signed two years ago—was a land-mark for British Aerospace. It was the first export order

It was the first export order and preceded a much larger deal under which Saudi Arabia. Oman's ally in the six-nation Gulf Co-operation Council, is spending about fibn on buying 42 Tornados-sud support facilities. The aircraft were originally scheduled for delivery in 1988 but last year the date was posiponed until 1991.

The hold-up illustrates the ettent to which the sultanate, like other Gulf states. has extent to which the sultanate, like other Gulf states, has been hit by last year's collapse of oil prices. The country's gross domestic product fell by nearty 20 per cent last year after a decade of uninterrupted growth, and the Government has implemented sweeping budget cuts

Turning rhetoric into reality is proving difficult, reports Richard Gourlay Aquino may lose chances for land reform

POSSIBLY THE best oppor-tunity to improve income dis-tribution and undermine the Communist-led insurgency in the Philippines is slipping through the Government's fingers as election fever distracts President Corazon Aquino's

Reforming the ownership of agricultural land is a policy almost all politicians in the post-Marcos era claim to back. Land reform is invoked by candidates for senatorial elections in May at government and opposition rallies aitke.

But when it comes to details,

the Government's programme statements of general intent.
It took the killing by marines
of 16 farmers demonstrating for
land reform in January to put land reform in January to put some urgency into the Govern-ment's programme. Even though the leaders egged on the far-mers to provoke the ill-discip-lined soldiers — a lethal combi-nation — it did not detract from the force of the lesson.

Were Agrical set up a special

the force of the lesson.

Mrs Aquino set up a special multi-ministry action group to study the problem. Mr Sonny Dominguez, the Agriculture Minister, said that if landowners did not voluntarily agree to land reform they would and up with no land to reform. and Mr Haherson Alvarez, the Land Reform Minister, came up with a four-point programme before resigning to run for the

of the land — and even more of the good land — is owned by a small minority of landowners in a hangover from Spanish



ensuring that the credit system is good enough to prevent the farmers immediately hocking the land to Chinese middlemen to pay for seed and fertiliser.
Some of the conservative farmers will also have to be sold the idea of diversitying out of traditional crops like rice, sugar and coconut into each crops for

But reform now would give the country's burgeoning population an incentive to stay within the existing political system and at least a fighting chance to gain a stake in the society.
"The land reform pro-

of the good land — is owned by a small minority of landowners of the redistribution of income in the Philippines. For as long ment from compens as this problem is not licked, lords with cash, which the insurgency problem will go the most efficient was there remains the problem of on and on," one World Bank.

There are signs that civil unrest could begin to undermine the credibility of first Corazon Aquino, the Philippines President, at home and abread, following an abortive coup over the weekend Richard Gourley reports from A minor military mating

this weekend by a small group of soldiers left one soldier dead. There have been three previous military revolts since Men Agulue eame to power.

Early an Saturday, a handful of troops broke through the main gate of the army headquarters in Manila to try to free more than 100 soldiers

who were imprisoned for their part in a revolt against officer said, referring to the Communist-led insurgency, now in its 18th year. The Government has so far

The Government is still focus-ing its effort on completing the transfer of rice and corn lands
— still only about 9 per cent
of all the country's cultivatable
lands. The country's depleted treasury prevents the Govern-ment from compensating land-lords with cash, which would be the most efficient way of speed-

Mrs Aquino in February.
The mutineers, led by a former army bodyguard of deposed president Ferdinand Marcos, again demanded that Mrs Aquine stand down and hand over to the military. Mr Marcos denied from his exile in Hawaii that he was behind the latest revolt. The revolt ended after only eight hours when the 42 prisoners who joined their would-be rescuers surrendered to troops loyal to

rendered to troops loyal to Mrs Aquino after, one mutineer had be en shot.

Mrs Aquino's spokesman called this weekend's incident the "last convulsion of a dying beast" referring to the still sizeable body of supporters loyal to Mr Marcos.

The government has reverted evapore to compensating landlords observe through bonds, made more there is attractive by a shorter term and tunity.

adopted the programme of for a larger cash advance, mer President Marcos covering the rice and corn land. After 15 years of that policy, only 32 per cent of the lands covered have been transferred to tenants, mainly because of landlord ants, mainly because of landlord resistance, inability to enforce it on recalcitrant landlords, and the poor compensation.

The Government is still focus.

The plans talks in general of funds there rather than to completing the rice and corn land transfers, moving on to land that is idle or foreclosed by the government, followed by the largest portion, which is all non-rice and non-corn land including the large estates. The final phase is redistribution of public land.

An added problem for the store on land reform, allocating tunds there rather than to the teacher and government employee salary increases and could even have introduced compulsory purchase legislation.

The new congress, which sits in July, will now be passed the "hot potato" of drawing up policy for redistribution of most Philippines land.

is that nearly two months after Mr Alvarez resigned to seek his fortunes in the Senate, Mrs Aguino has yet to replace him.
Basically, however, the bank
objects to Manile's concentration on completing the rice and corn land reforms. It feels a larger structural change could be made if scarce resources were aimed at the large coco nut, sugar and fruit estates. This does not mean the estates would be broken up but there would be a move towards cooperative ownership.

The bank has carmarked money for the land reform but has clearly no intention of releasing it unless Manila produces more detailed plans.
Translating the rhetoric of land reform into the reality of land reform into the reality of policy has been hampered as the May 11 elections loom. The urgency that followed the killing of the farmers has evaporated, leaving many observers with the feeling that there has been a missed opportunity.

Mrs Aquino was in the unique position of being able to govern by decree because of her arrival in power through a popularly backed military revolt, while commanding huge popularity throughout the untry.

She could have laid more store on land reform, allocating funds there rather than to

Asian nations improve their performance

MOST OF the developing member-countries of the Asian Development Bank (ADB) im-proved their economic growth last year, with only the few heavily dependent on exports of primary commodities experi-encing a second successive year of verestion.

The bank's 1986 annual report, published this week, expects lower growth for most during 1987.

Last year two countries were notable for economic difficul-ties: the Philippines, which registered scarcely any growth registered scarcely any growth in gross domestic product (GDP) after a long period of contraction; and Singapore, which has fallen from the pinnacle of economic glory and suffered difficult structural adjustments in 1985 and 1986.

Asian Development Bank expects growth to taper off in most of the region this year, reports Robin Pauley

● A sharp decline in the aggregate trade deficit of the aggregate trade deficit of the developing member countries from \$12.7bn in 1985 to \$1bn in 1986; • The weighted average inflation rate in these countries was 5.5 per cent in 1986 compared with 6.6 per cent in 1985 (with prices falling 1 per cent in Singapore and rising only 1 per cent in Malaysia and Taiwan.

fled in the ADB report include:

sectors.

So GDP grew by 8.7 per cent in Hong Kong in 1966 compared with only 0.6 per cent in 1985, 11.4 per cent compared with 5.4 per cent in Korea, and by 9.9 per cent compared with 4.3 per cent in Taiwan. Singapore's GDP prew by 1.9 per cent compared with a fall of 1.8 per cent in 1985.

More stringent borrowing and debt management policies; of locreased efforts to mobilise domestic resources, particularly through improving tax administration rather than raising tax rates.

The main factor behind improvement in economic performance of the newly industrialising countries (NICs) in 1988, after a drop of GDP growth in 1985, was the dynamism of their large export sectors.

So GDP grew by 8.7 per cent in 1985 compared with 5.4 per cent in 1985, and 1986 compared with 5.4 per cent in Talwan. Singapore's GDP grew by 1.9 per cent compared with 4.5 per cent in Talwan. Singapore's GDP grew by 1.9 per cent compared with 5.4 per cent in 1985.

Leading for energy projects may be per cent in 1985.

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Leading for special infigurations without financial institutions without attenting to private enterprises and financial institutions without granded at cutting financial institutions without attenting to private enterprises and financial institutions without the private enterprises and financial institutions without the private enterprises and financial institutions without the private enterprises and cutting for private enterprise

Nkomo stays optimistic on unity

BY TONY HAWKINS IN HARARE

MR ROBERT MUGABE'S surprise decision last week to break off unity talks between his ruling Zamu-PF party and Mr Joshua Nkomo's minority party. Zapu, is only a temporary setback, according to Mr Nkomo.

While Zapu is angry and disappointed at the unilateral appointed at the unilateral decision to end the talks, it sees the move as tactical, pointing to Mr Mugabe's reference to wider discussions that will replace the blacteral negotiations. In his indepedence day broadcast last Friday, Mr Mugabe and there was no useful purpose in maintaining the dialogue. He did not explain appointed at the unilateral how the talks deadlock had arisen but some political sources blamed excessive demands by Zapu for senior

posts in the unified party and the Government.
Others point to deep divisions within Zamu-PF itself over the desirability of unity, The talks were designed to the talks were designed to unite the country's two nationa-list parties prior to the estab-lishment of a one-party state in Zimbabwe. Mr Mugabe apparently hopes to pursue this goal by widening the talks

WORLD ECONOMIC INDICATORS

	-	(1986=	ine)		o/
	Feb '87	jan '87	Dec '86	Feb '86	% change over previous yes
	135.7	135.2	1343	132.8	+2.2
ermany	120.7	120.6	120.1	721.3	-0.5
•	165.5	165.2	163.7	160.0	+3.4
	207.2	206.3	205.1	198.7	+43
erlands	121.5	121.3	123.6	172.6	-0.9
	143.6	143.3	142.7	142.1	+1.7
	150.2	149.4	149.0	144.5	+3.9
	113.5	714.1	114.6	115 9	-14

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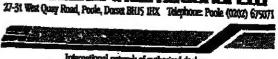


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Turkey in plan to pipe drinking water to Arabia

TURKEY is to offer to supply up to 20n cable metres a year of drinking water to the Azabian peninsula, according to officials in Ankara.

Brown and Root of the US has submitted a pre-feasibility report on proposals to build two water pipelines to run from southern Turkey, at a cost of between \$70n and \$10bm (£4.3bm to £6.25bm) each.

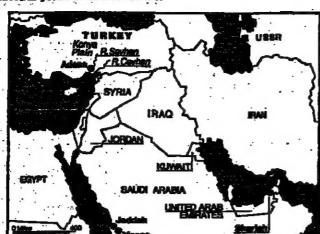
"The scale of the project is consistent with others such as the 'man-made river' in Libya to carry water to the coast from aquafers under the coast inpin aquafers under the desert, said Mr Keith Dodson, presi-dent of Brown and Root's land-based activities outside the US.

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MERBON 1991/ELE

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Murder that still casts cloud over Grenada

The court was established by the Bishop Government when it lest the services of the regional court system which, a year after the revolution of 1878, was revamped to become the Eastern Caribbean judicial system.

This court, which was fermed under a treaty establishing the conservative Organisation of Eastern Caribbean States (OECS), provides the right to appeal to the Privy Council Grenada, while a party to the treaty, was denied entry

dent of Brown and Root's land-based activities outside the US.
His study concluded that, although the capital investment was large, fi was economically feasible as the cost of piped water would be one third the cost of desalination.

"Technically it has all been done before," he said.

The pipelines would carry water from the rivers Seyhan and Ceyhan, which rise in the mountains of southern Turkey above Adana and run into the Mediterranean.

Turkish engineers have sirgued for many years that water from the rivers should be pumped up to irrigate the Konya plain in central Turkey—a proposal which lir Turgut Coal, the Turkish Prime Minister, recently rejected as likely to yield a much lower return than exporting the water to the Arab world.

Brown and Root's study en-

A Government official close to
Mr Ozal said: "The idea is to
create interdependency between
nations of the region which at
the moment find it difficult to
get on with each other because
they have few common
interests."

He said the water would cost

Paging which in Interest in the region
—something which Mr Ozal's
pro-Islamic Motherland Party
has been striving for since it
took office in December 1963.

Enron pipeline offer to Peru

ENRON of Houston, whose immrer, American International Group, in the US for a \$200m wenture with Petro Peru and Royal Dutch Shell to build a pipeline and construction of a trans-Andean pipeline from Shell's recent gas find in the coast.

Enron's offer is subject to The Government claims Belco

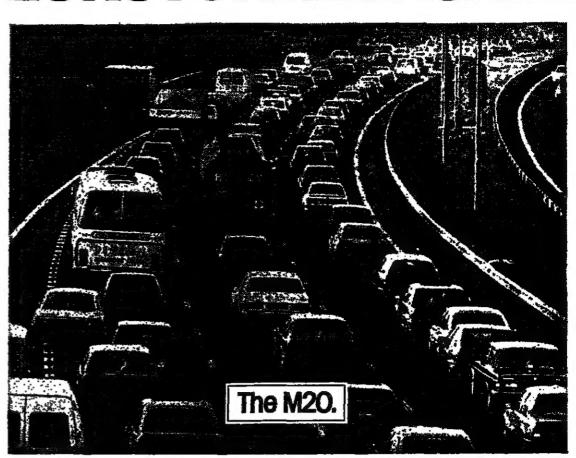
insurer, American International Group, in the US for a \$200m wenture with Petro Peru and Royal Dutch Shell to build a pipeline and handle transport of gas. Enron, whose preliminations are successful to the construction of a trans-Andean pipeline from Shell's recent gas find in the reach an agreement on oil consolthern Peruvian jungle to the coast.

The Government claims Belco

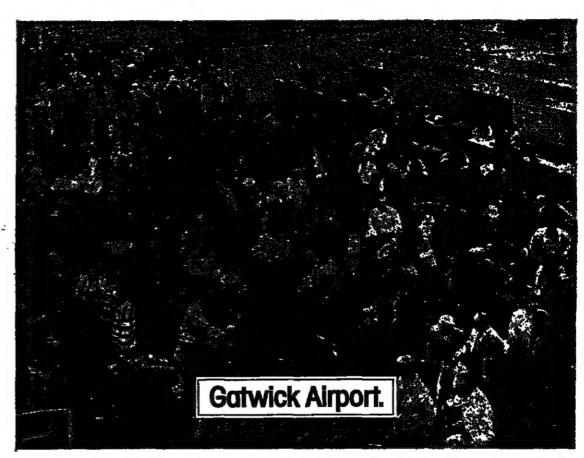
coast.

Enron's offer is subject to payment of compensation for the expropriated assets. The company is offering to invest cause it would not accept new pensation. It receives from personnels is seeking \$400m, the only other for eign oil producer in Peru at (\$250m) for its expropriated with Petro Peru, the states of the same time, Shell. At the same time, Shell, which has reported reserves of 7 trillion cubic feet of gas and 200m barrels of condensates, in negotiations with Petro Peru at development of the gas. By the end of the year it will have spent \$200m on exploration since 1981,

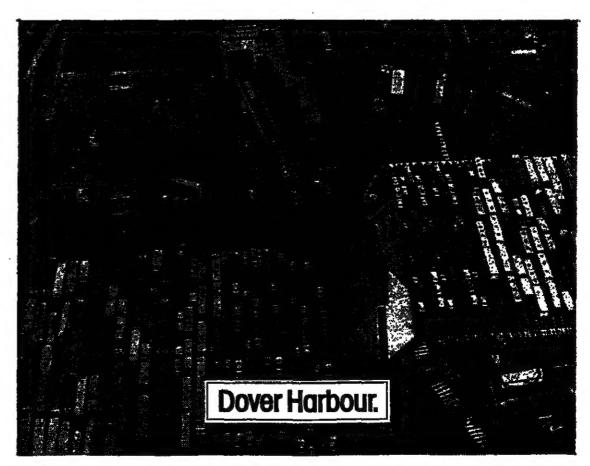
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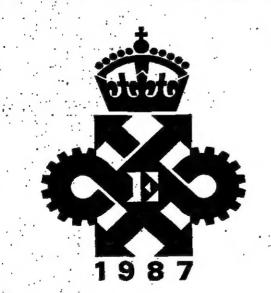
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UK NEWS

Tory strategists step up pre-election activity

BY PETER RIDDELL, POLITICAL EDITOR

THE Conservative Party is examining new ways of publicising its manifesto commitments as the Labour Party plans a counter-attack to revive its fortunes by alleging a hidden Tory agenda for post-elec-

paigning enters a fresh phase this week with the House of Commons eturning tomorrow from the short Baster recess and the parties intensifying their preparations for a pos-sible June poll. This could be an-nounced in less than three weeks' tions for a pos-

The growing expectation among ministers and MPs that an election will be held on June 11 or 18 has pace of activity among Conserva-tive strategists. reinforced by the increase

The general belief is that someelections to halt the June bandwag-on, provided that Conservative supmains at or above its curren 40 per cent level in the opinion nolls, and that the Social Democratc Party Liberal Alliance remains in

Mrs Thatcher and senior minisers have now agreed the main outlines of the Tory manifesto which will include proposals on restructur-

equipment such as tennis rackets and snooker cues.

The move, which takes place lat-er this month in leading stores, is part of Marks' search for new

growth areas to maintain its lead-ing position in British retailing. Marks' executive have identified

the sports equipment sector - which at present is estimated to be worth

about £500m a year at retail prices

- as likely to be one of the significant growth areas of the early 1990s.

et, published by the Jor-

Marks and Spencer to

MARKS AND SPENCER, Britain's healthy living, sport has become

biggest retailer, is planning a major very much a way of life for many diversification from its range of people, the report says.

Marks' move into sports equipment such as tennis rackets ment follows successful sales in re-

sell sports equipment

THE Social Democratic Party Liberal Alliance is to receive har-ther large-scale financial supits organisation in the general election from the Joseph Rown-tree Social Services Trust. This is

groups.

The trust has decided to make a series of grants to the Alliance totalling about £150,000 mail specifically related to the general election. About half of this has

state industries and a further drive to regenerate inner cities. The main concern of Tory strate-

gists is how to highlight the com-mitments which they regard as-both more radical and central to the campaign than in past elections.

They want to avoid the oblivious which normally descends on manifestoes and are examining ways, previously not seen in British polities, of presenting the pleages under one theme and of centing to draw attention to them during the draw attention to them during the

In particular, Conservative Cen-tral Office is examining the impact of its successful conference last Oc-

139.95 to a skipping rope at 13.99.

Golf equipment is among the most expensive items available.

Marks is also aware of the current boom in another in the UK and

is selling cases ranging in price from £9.99 to £27.50. A lightweight gra-phite tennis racket will retail at £45.

given to the Alliance over the last two years.

The resulting total of about \$250,000 for the pre-election and emission period is likely to be broadly equivalent to the level of

This represented over a tenth of the Alliance's estimated spenting in 1983. While additionbeen found, notably through di-rect mail fund-raising, support from the Resentree trust is still regarded as important, particu-larly for the part leaders. il sources of finance have since

were presented under the central theme of the next move forward." sented under the central now refined to "moving forward".

The manifesto, although in an advanced state of preparation, will continue to be revised and adapted ction is called.

However, the Lebour Party is planning to counter-attack by releasing a lengthy booklet setting out a "hidden sgenda" for implementa-tion by the Torles after the general and increases in council rents. La-bour argues that the booklet is based on ministerial comments. A

British Rail denies 'go-slow' on Eurotunnel

BRITISH RAIL last night rejected criticisms that it was "going slow" over reaching an agreement on the terms on which it would use the proposed Eurotumel rail link.

ER totid it was "only too aware of the importance of reaching an agreement and was on course for reaching a negotiated deal by early ranges from an exercise bicycle at

> Talks between BR, the Eurotus-nel company, and the French railways group SNCF, are due to re-sume today amid speculation that BE – and to a lesser extent SNCF –

is and Eurotannel is wial to ig further finance for the A spokesman for Eurotan

would use the proposed tunnel and the fees charged by Kurotunnel.

The importance of the agreem is that it will pave the way for fur-ther long-term loans of up to £5hn from a number of major banks to finance the bulk of the project. Be-fore then, Eurotunnel will be able to go ahead with interim financing argo anead with interim financing arrangements aimed at raising up to \$100m through a private underwritten equity issue in July.

42. The NULL conference on Sunday, delegates voted not to comply with the school tests planned by Mr Baker for children at ages 7, 11 and 14.

Teaching unions to spell out conditions

MORE THAN 300,900 members of the two main teachers' unions in England and Wales are to be issued next week to work perma contract in response to the revised employment conditions being imed on the teaching profess the Government.

The move, disclosed yesterday, has the potential to change fundamentally the nature of school teaching. Until now, the job has been largely unregulated and founded on the concept of voluntarism.

Under the unions guidelines members will be given timesheets and diaries to ensure they can exercise a right to work no more than 1,365 hours a year, or a notional av-erage 35 hours a week, and can thereby contain school activities within these limits.

Details of the strategy emerged at the annual conference in East-

bourne of the National Union of Teachers (NUT), the biggest teach-ing union, where the extent of the breakdown in relations between the Government and many teachers' leaders was demonstrated in debates unprecedented in their politi-

The NUT is not affiliated to the Labour Party and has no political ernment deserves no support from the teachers of this country and ev-ery Conservative candidate in the country should be aware of it. Similarly, Mr. Malcolm Horne, the union's vice-president, said: "If

we are going to win this battle we are going to have to change the Government's mind or change the rnment." And Mr Peter Griffin, who chairs the union's salaries committee, said: "All our efforts should be directed towards a political solution to our problem

However, the prospect of further disruption in the schools is not welcome to the Labour Party in a pre-election period. In addition, the NUT yesterday put Labour-con-trolled local authorities on the spot by calling on them not to impoment the Government's emplo

(NAS/UW?) seeks to take the Government's employment conditions, some of which take effect in the school term beginning next week, and apply them to the letter in the hope of demonstrating that British education converting

Mr Fred Jarvis, the NUT's gen-eral secretary, said the responsibili-ty for whatever might result in schools would lie at the door of Mr Kenneth Baker, the Education Secretary, and other government min-

At the NUT conference on Sun-

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By raymond snoddy

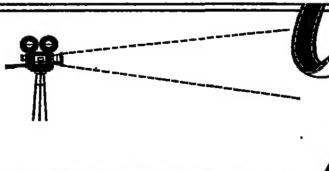
serviced film sound in ismain. In the future film companies making a film at Pinewood will pay for the film at Pinewood will pay for the film at Pinewood will have to hire the number of staff at the studios, technical staff on a freelance basis which made the Bond films and the for the duration of individual films. Carry On series, will fall to 170.

Pinewood to cut staff

PINEWOOD STUDIOS, the largest

British film production centre, is reducing its staff by more than a half bor has gradually been reduced to cut costs.

Pinewood, north of London, is lowences has made British a less intention and the last fully statements and the production of the last fully statements. giving up its role as the last fully stiractive place to make interna serviced film studio in Britain. In tional films.





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By David Briedle

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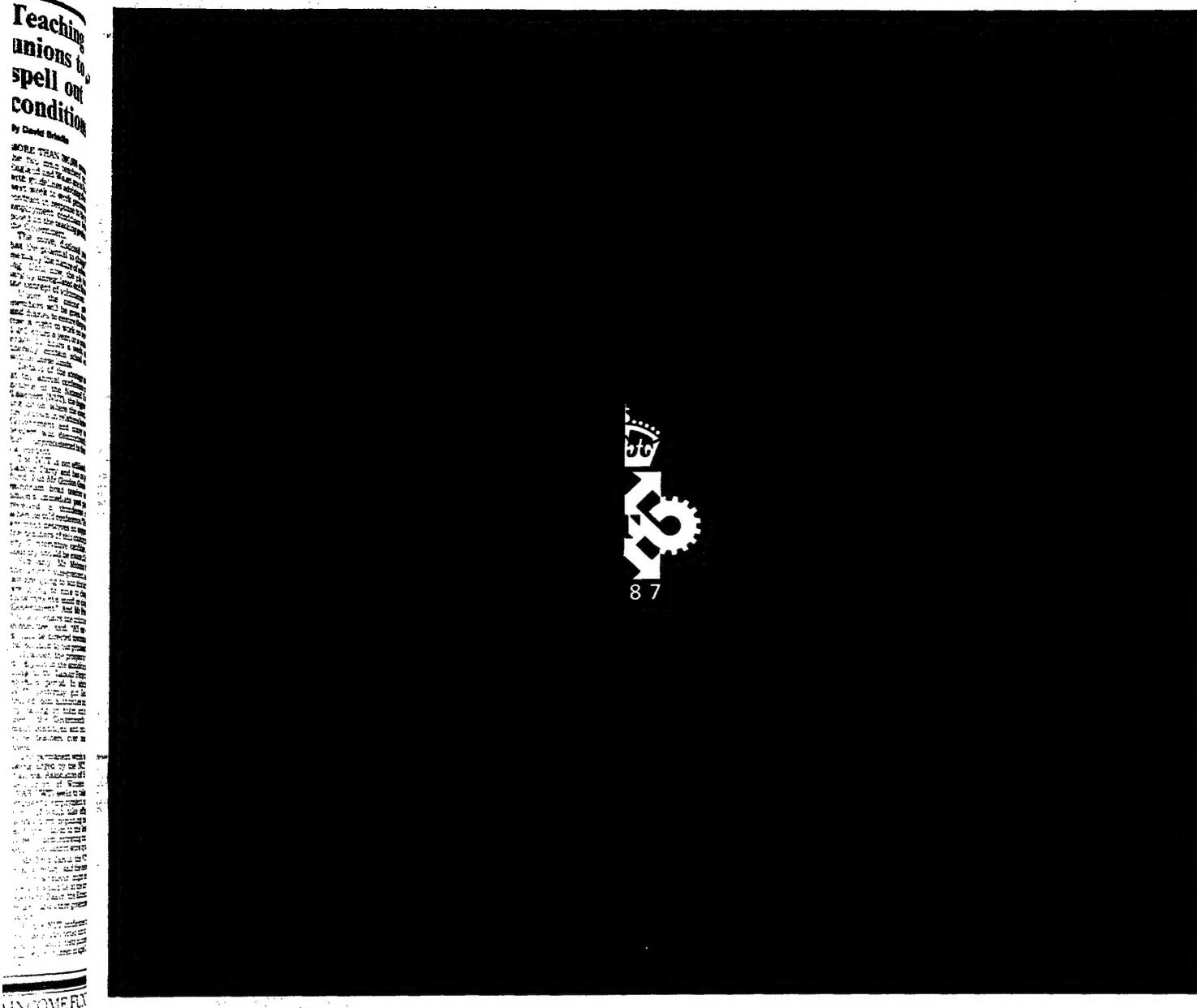
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UK NEWS

Lucas poised to close South Wales factory

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

ponents subsidiary of Lucas Indus-tries, is likely to close its instru-mentation factory employing near-ly 900 workers at Ystradgynlais,

Talks started by Austin Rover,

save the factory.

Nippon Seiki, which will replace
Lucas as the principal supplier of
dashboard instruments to Austin
Rover, must now find a UK manu-

which to seek to expand sales throughout the EEC.

made profitable and internationally and targed Lucas in the meantime competitive would be put into joint to become competitive.

Lucas maintains that without the

Birmingham.

Austin Rover executives were surprised at Lucas Electrical's response when it decided late last sponse when it decided late last year to place the contract for instrumentation on its planned new mident high level of UK content in its dle range car with Nippon Selki. cars, made it a condition of award-mental partition with Nippon Selki. boration with Honda of Japan.

Austin Rover had complained for

Union leaders are aware of the vulnerability of Ystradgynlais but they fear it could be the first of a series of redundancies in the loss-making Lucas Electrical subsidiary.

Sir Godfrey Messervey, Lucas Information chairman said last month on quality and tachnology but to

closed.

The Luces accounts show that provisions of about \$20m have been made for planned run down of the Great King Street headquarters in Birmingham.

The state-owned car company urged Seiki to enter talks with Lucas to seek an arrangement to save jobs at Ystradgynlais. Failure of that initiative means Austin Rover will now press Seiki to find a manufacture for the company of the

Companies say skill shortage will affect their output in 1987

BY CHARLES LEADSEATER

About a fifth of manufacturing companies expect their output in 1987 to be limited by an inability to recruit skilled workers, according to the survey of 1,164 companies conducted by the Confederation of British Industry (CBI) and the Manpower Services Commission (MSC). It found that 19 per cent of the companies expect output to be limited by skill shortages. Ten per cent said a lack of skilled workers would limit investment spending in the coming year.

expected output to be limited by skill shortages in the succeeding 12 months. In 1904, about 17 per cent of companies predicted serious skill

Companies, the output of which has been constrained by skill shortages for more than a year expect the problem to worsen. The survey revealed 250 occupations in which skilled workers are in short supply. Professional engineers, electronics engineers, computer staff and other high technology workers were most

engineers, and 42 per cent skilled manual workers.

The CBI said there was evidence that employers are taking steps to overcome these constraints. In the textiles and clothing industry more than 70 per cent of companies suf-fering skill shortages are retraining

Mr John Banham, the director general of the CBL said the survey confirmed the urgent need to ex-pand opportunities in further and higher education to produce more

ITC tops table with its pre-tax profits

By Martin Dickson

FIC ENTERTAINMENT, a programmes, was manued yesterday as the privately-owned British company with the highest prefix, totaling £15.2m (\$24.2m) pre-tax in the year to June 1985.

Netwick City Football Club emerged as the fastest-growing private company in 1994/85 - the letter and the private company in 1994/85 - the

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> INTERNATION. PROPERTYEID THE P. LEWIS CO., LANSING

jobs to stay competitive' BY JIMMY BURNS, LABOUR STAFF ish industry will have to shed placement lever,"

ish industry will have in shed placement lever,"

750,000 jobs in the next three years just to maintain its competitive to examine personnel costs and the doub!" that companies will continue to examine personnel costs and the companies, the management to examine personnel costs and the double with the companies. The figure has been calculated by a Period of change is not over. But it emphasises that 'It would be wrong to link future technological change to link future technological change with the rapid shedding of jobs."

"All the evidence to date points to companies, The survey sponsored jobility. All companies interviewed had addressed the problems of cost control through the reduction of direct workers in the last five years.

In 1962, when A.T. Kearney conducted a similar survey, only 65 per cent of respondents had attempted a cost reduction programme.

"All the evidence to date points to investing in the new technology are investing in the next three years.

In 1962, when A.T. Kearney conducted a similar survey, only 65 per cent of respondents had attempted investing in the next three years.

In 1962, when A.T. Kearney conducted a similar survey, only 65 per cent of respondents had attempted in the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addressed the problems of cost control through the reviewed had addr and corporate organisation in 1000 companies. The survey sponsored jointly last year by the CBI and the Institute of Administrative Management, is due to be published on April 28.

The survey finds that the UK is lagging well behind the US in man-agement to staff ratios, with up to 50 per cent of staff costs accounted agement to staff ratios, with up to 50 per cent of staff costs accounted for by the management structure. Although most companies in recent years had tackled the problems of costs by reducing their direct work-force, they have so far made little effort to follow the US example in directing "indirect labour" on man-agement itself. Although management structure.

Although most companies in recent years had tackled the problems of costs by reducing their direct work-force, they have so far made little effort to follow the US example in directing "indirect labour" on management itself.

Nevertheless, the survey predicts of the companies in recent years had tackled the problems of them UK Lid is going to go out of business because of uncompetitive-ness," Mr Marsden said.

The survey suggests that despite is to be believed, then the organisational restructuring.

Not even the leading UK companies in recent years had tackled the problems of them UK Lid is going to go out of business because of uncompetitive-ness," Mr Marsden said.

The survey suggests that despite is to be believed, then the organisational restructuring.

STEEP falls in job applications by

students are pozzling employers seeking graduate recruits from uni-

BP, a longstanding recruiter on Britain's campuses, has had only about 4.500 applications this year – a drop of 40 per cent from the 7,500 received in 1965. Other big employers such as the food chain J. Samphury have experienced falls which although less descript are still small.

although less drastic are still supprisingly large.

Universities also report sharp drops in the number of final-year students presenting themselves for job interviews held on campus. At Manchester, for example, interviews reached a 10-year low of 7,000, compared with 9,000 a decade

ago and 10,000 in the peak year of 1981.

versities and polytechnics.

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE Confederation of British In- that the tendency to shed labour common to a majority of compe dustry (CIB) has publicly distanced will continue for the next two years nies.
itself from the results of a report it with the introduction of new techitself from the results of a report it with the introduction of new tech-sponsored which suggests that Brit-nology acting as a "major cost dis-ed the control of personnel costs as

UK NEWS

Industry 'must cut 750,000

a priority factor in ensuring short-

investing in the new technology are developing the job base for the future", the CBI says. Mr Alec Marsden, one of the authors of the report, stressed that the figure of rompanies have port, stressed that the figure of rompanies have port, stressed that the figure of rompanies have switched the focus of their policy from short-term cost cutting towards longer term effectiveness, based on investment in computerisation and organisational restructions.

Employers puzzled by steep

fall in graduate applications

Despite the declines, some employers say that the applicants are er numbers of organisations can less on spec."

The claim is supported by unit job-search instead of just spraying off 30 or 40 applications more on players say that the applicants are er numbers of organisations can less on spec."

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NOTICE OF REDEMPTION To Holders of

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Notice is hereby given that pursuant to paragraph 8 of the Notes and Section 4 of the Fiscal and Paying Agency Agreement dated as of May 17, 1882 between GMAC Overseas Finance Corporation N.V. (the Company) and Chemical Bank, Fiscal and Paying Agent, the Company hereby gives notice of its election to redeem all of its 15% Notes due May 17, 1989. The date fixed for redemption shall be May 18, 1987 and the Notes will be redeemed at the price of 100% of the principal amount thereof together with accrued interest to the date fixed for redemption. After May 18, 1987 the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and corrender together with all apportenant coupons, if any, maturing on and after the date fixed for redemption at the principal office of the fiscal agent, Chemical Bank, 55 Water Street in New York City or at the principal offices of Chemical Bank in London, Frankfurt, Puris and Zurich and the principal offices of Banque Bruzeles Lambert S.A. in Brussels and Banque Generale do Laurembourg S.A. in Brussels and Banque Generale do Laurembourg S.A. in Brussels and Banque Generale do Laurembourg S.A. in generally of a higher average quatity than in previous years.

"To judge by those we have seen so far, we do not expect to have much difficulty in filling our vacapcies with people of a high standard, commented Mr Angus Clark, Sainsbury's personnel director.

Mrs Margaret Orchard, responsible for graduate recruitment at RP, said: "We're not suticipating any shortfall, especially since our target intake target is only about 170 as against 300 last year."

Mr. Keith Bell, chairman of the Association of Graduate Recruiters, denied that students' slowness to apply is in response to a shortage of jobs on offer. "I don't think there's any overall decline in opportunities, by guess is that more posts will be filled this year than last."

His claim is supported by mis-

GMAC Oversess Finance Corporation N.V.



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which has applications in every

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UK NEWS

Charles Leadbeater reports on an ambitious protest against mass unemployment

Reaching out to stir Britain's conscience

HANDS Across Britain, an organipurpose, and family income, pre-sation formed little more than three vent persistent high unemployment be remembered for one of the disentranchised minority? events of the year -a 375,000-strong Social divisions in Britain experiment of the pear -a 375,000-strong Social divisions in Britain experiment.

The chain will be the largest proother quickly forgotten demonstra- and those out of work.

count, are the Government's main

ment is perhaps the fundamental

months ago, hopes that May 3 will creating a demoralised, deprived,

ployment in the 25 years following the second world war were based test against unemployment of re-cent years. But many of the orga-nisers hope it will be more than an-starker division; between those in,

The Manpower Services Commission (MSC) schemes, which aim to Hands Across Britain aims to chalimprove the unemployed's chances of competing in the jobs market which threatens to legitimise and and to reduce the unemployment stabilise that division. "Comfortable Britain,

response to high unemployment.

The MSCs approach presents uncomployment as a problem of trainers, skills, and work experience.

"Comfortable Britain, will be seried to manually the general election campaign by promises which appeal to its sectional interests. We should be ashamed of the level of Hands Across Britain is an important of the level of the appeal made by political parties aginative and potentially powerful, to voters. We must challenge the atpolitical alternative. For it will present persistent high unemployment what ought to be intolerable," he

says. It is not just that "In-Work Brit-ain," as Bishop Shepherd calls it, has in the past few years enjoyed a consumer boom made possible by real earnings gains. Those in the complain that they have been decomplain they are the decomplain that they have been decomplain they are the decomplain that they have been decomplaint they are the decomplaint that they have been decomplaint they have been decomplaint they are the decomplaint that they have been decomplaint they have been decomplaint they have been decomplaint they have been decomplaint.



Bishop of Liverpool: fighting completency

the labour market, they say they are also invisible to a political system which is ill-equipped to directly represent a significant minority of

organisation of unemployed people be born from the demonstration? Past demonstrations, organised by the trade unions, have quickly passed into history, dismissed by the accusation that the unemployed

were being co-opted to the cause of paign's co-ordinator, says it was clear from the start that only a novel, non-political form of protes would have an impact. The idea for the human chain was borrowed

She and two others started work on January 1, and the campaign was officially launched about two

weeks later. They set out to create a gr recity involve the unemployed. However, as several of the campaign's 1,000 local organisers admit, overcoming the fatalism and isola-

organisers in Salford, north-west volved in the local unemployed workers association, believes the

Others are less confident that they will be able to meet the target of providing the 1,000 people per mile needed to complete the chain, partly because they have had lim-ited success in reaching so-called

In Milton Keynes, south-east signed England, which should be a test The une England, which should be a test. The unemployed are never consult-case of whether the campaign can ed on issues which affect them, touch the consciences of in-work whether its arrangements at DHSS Britain", Mr Mike Boyd says the

The local group believes that des-prie the support of the local media it would not just challe may fall well short of its target of ernment. It would also challenge 10,000 people. Similarly at Burton on Trent, in

an East Midlands area of low mem-ployment, the local organises ad-mits the town might be a 'missing link', because there has not been enough time to organise it.

would benefit directly from it's suc- senting the interests of

councils and trade unions. Few of thousands of redundancies in the

But the campaigners hope that churches will encourage the sup-

port of a wider constitutency. Reverend Jonathan Sewell, at Ilkestone, believe many of his conser vative congregation will join the de-monstration which will be an unfamiliar sight in a semi-rural market town.

The churches' role has from Hands Across America, last highlight the campaign's claim to being non-political, which Ms Meacher says is vital to its appeal. However, she also recognises the campaign should go beyond a cry of despair and anger to present a view

down by higher demand. That inevitably gets us into a political area sensus from the Tory left, to the Al-liance and the Labour centre-left, whol are opposed to current policy. We do want to avoid specific policy

Ms Meacher is confide 375,000 will protest against unem-ployment on May 3rd. She is less confident that a complete chain will

in the organisation to formalise Hands Across Britain as a permanent campaigning group for the un-employed, whether or not the demonstration is a success on the day.

paigning organisation which would link those in and out of work to pre-(Welfare) offices, the organisation of MSC schemes or government

the idea that the traditional party ment is capable of representing and encapsulating - the interests at

For it would suggest the unem-ployed do not believe the traditional institutions of the "working class" the campaign has been unable to the Labour Party and the trade draw on the resources of those who

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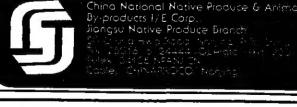
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Shand Ltd. Shand House, Madock Derbyshire DE4 3AF Tek (0629) 734441

to Construction

Wimpey to build civic centre at Basildon

For the second time in less than a year WIMPEY CONSTRUC-TION MANAGEMENT, a division of Wimpey Construction UK, has won, in competition, a management contract for elvic development, from Basildon District Conneil, Essex.

Shand construction contracts

Derby builder's good start

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BOWMER and Kirkland, a privately owned Derbyshire-based building and civil engineering emiractor, has won orders worth #54m in the year

And, reflecting current trends in the construction in-dustry, all are in the buoyant retail, commercial, leisure and householding sectors.

"We used to do a lot of civil engineering work but it has all dried up and the resident of work are retained at it has all dried up and the majority of work around at the moment is retail and commercial building," said Mr Ren Lee, sales director.

"We've relied particularly on the retail sector for the last three years, and most of the civil engineering work we do now is because large supermarkets need civil engineering skills in preparing their foundations, drains, car parks and roads, especially on difficult inner city and edge of town sites."

of town sites."

The largest of the latest fished batch of eight contracts is a new superstore for Sainsbury at Derby—Bowmer and Kirkland's seventh for the company in four years—with attached DIY and garden contract for Homeless. with attached DIY and garden centre for Homobuse.

The company is also fitting out a new Children's World retail warehouse at Leicester for the Boots Company; building a new auction centre at Peterborough for the GB Auction Group; a new swimming pool and leisure complex for Leicester City Council; and an office block at Eakring in Nottinghamshire for BP Petroleum Develop-

Also in line with the changing pattern of the industry's workload, three of the contracts are in the busyant market of the London area: a shelitered housing development at Ealing for the Ealing Franty Housing Association, refurbishing houses at Stanhope Gardens, SW7, for Priormine, and refurbishing the Griffin Hotel at Ringuton-upon-Thames for Historic City Developments.

"We had to look south for growth," and Mr Lee. "A third of our work is now in London and we have an effice of 40 people there todaywhere we had only four 18 months ago."

Work begins at Sizewell B'

The lettert is a film contract of the Basildon Centre, which is now taking the part of the Basildon Centre, which is now taking the contract with Wimper Construction Management and is for the construction of a formation as a machine to open in 1988, Service links will integrate contract between Steat Foundation (Security and computer systems between the two.

The Basildon Centre will integrate contract of Paris, has been awarded the first major civil include an underground car perit, a computer state, library and various meeting rooms at first, ground and basement ground at the construction of a disprisary wall around the provide natural light foundations will support a come ered frame with external eleventions finished in brickwork, and trip will provide natural light for the construction for the cifficas. The purject health of the leftest in the UK and will provide natural light for the construction in Special Computer with external eleventions finished in brickwork, and strip will provide natural light for the differs. The purject health of the configuration of the state of the construction in Special Computer will be made at the construction of a disprisacy wall around the provide natural light for the configuration of the configuration o

Monk wins £16m orders

Orders worth over £16m have been awarded to A. MONK & CO.

Monk management contracting division has won two major gors detached primary school sor contracts totalling over £10.5m.

Constructing the first phase of a sports centre at Barnsley is a £220,000 centrol and command of the comprises a swimming pool totalling over £460 sq metres with a variety of facilities. Phase 1 is but part of a project that is expected to total over £12m providing a complete sporting complex.

The largest single Japanese investment in Telford to date forms the second contract awarded to the division. Phase one of this davelopment, valued at £3.88m, is for an office and factory covering 11,500 sq metres, manufacturing of actions the second contract warded at £1.2m menagement of the division. Phase one of this davelopment, valued at £3.88m, is for an office and factory covering 11,500 sq metres, manufacturing of actions the second contract manufacturing of colour Tvs, mobile telephone systems, and fasconsie machines involving a total investment of the involves installation of a fifth on a 48-acre site.

Monk regional contracts in clude:—in Bonth Wales £1.79m in 2000.

Broadgate structural steelwork

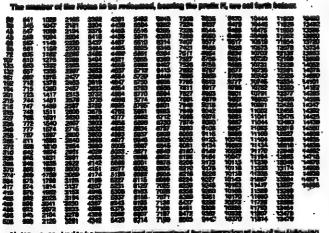
Trafaigar House steel fabrication specialist RKDPATH DORMAN LONG has won the order for steel fabrication and erection on Rosebaugh Stanbope's Broadgate development, phases 6 & 7. The contract, worth £10.8m, is for the beam and column structures of the office development, with long-span trussed floor beams.

Another Trafaigar House company, Richard Lees, will be supplying Richard Lees, will consider the part of the buildings. Fabrication of the steel will commence at the end of April at Redpath Dorman Lees, will commence at the end of April at Redpath Dorman Lees, will commence at the end of April at Redpath Dorman Lees, will be supplying Richard Lees, will be su

NOTICE OF REDEMPTION Motorola, inc.

NOTICE IS HERREY GIVEN that pursuant to the provisions of the Fiscal Agastoy Agreement drawd December 15, 1984 between Motorole, Inc. (the "Company") and The Chees Manhettan Bank (Nestorul Association) (the "Fiscal Agent") and pursuant to Section 5 (e) of the shouse apptioned nose (the "Notes"), the Company has sected to reduce \$2.49,000 principal amount of Notes or May 20, 1987 (the "Nestemption Date"). The redespotes price shall be \$10% of the principal amount of security amount of Notes or May 20, 1987 (the "Nestemption Date"). The redespotes price shall be \$10% of the principal amount of such Notes (together with accused histories (the Redespotes Price") to the Flactemption Date. Warrants to purchase a "Nestemption 1225 Notes of Motorois, line, (the December 15, 1984 tense been extended.

On and after the Redespotes Date, the Redemption Price will be paid upon presentation and astronder of the Notes to be redeemed, together with the December 15, 1987 coupon and subsequient coupons amounted instruction of the Notes to the Redemption Date will be paid in the amount of \$255.72 per Note. On and offer the Redemption Date histories shall cause to be and in the amount of \$255.72 per Note. On and offer the Redemption Date histories shall cause to be and of the the Redemption Date histories.

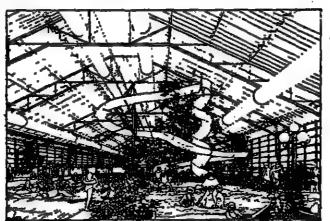


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Detect April 21, 1987

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Leisure complex at Deal



duled for May 1988.

A 2850,000 design and construct contract with Envopak is for a three-storey office building at Sideup, Kent. In Scotland a 51.8m design and construct contract has been placed by CORT for a new Ce-op supermarket. Also underway in Scotland is a 2900,000 contract with Cambridge Electronics Industries for finishes and external works at REPI Circuits in Galabank and a 2500,000 contract with the Post Office for alterations to the Royal Mail Parcel Centre in Glasgow.

Work has started on a £1m

A \$280,000 design and construct contract with Envoyak is for a three-storey office building at Sideup, Kent. In Scotland a \$1.8m design and construct contract has been placed by CORT for a new Ce-op supermarket Also underway in Scotland is a \$290,000 contract with Cambridge Electronics Industrians for finishes and external works at BEPI Circuits in Galabank and a \$500,000 contract with the Post Office for alterations to the Royal Mail Parcel Centre in Glasgow.

Work has started on a film Scotland in Newbury.



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EUSE & TOMETH'S has won more than film worth of building envirage in the UK including a \$2.5m design and construct project with Dover District Council for a leisure pool at Victoria Park in Dai, Kant.

The \$2,000 as it ricel frame complex includes a wave pool, figure-of-eight flums and splash pool with a river run linking to a jacural, bubbler and under the pool. A health and finess suite, har, cafeteria and illocar parking shaces are also provided. Completion is scheduled for May 1983.

A \$250,000 design and complete contract with Mooprised Homes for a Co-op superfield Homes for a Parking Homes for a Co-op superfield Homes for a Co-op superfield Homes for a Co-op superfield Homes for a Co-op superfield

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus ") have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Amouncement last year."

Final 8.5 Interim 4.2

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based London International Furniture

Hay 24 mainly on last year's timetable.

DIVIDEND YESTERAY

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Interact Payments—
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COMPANY MEETINGS—
City aron. Derchester Hotel, Park Lane.
English and Scottish Investors, 2 St. Mary
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BOARD MEETINGS—
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Els Group Hospital
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DIVIDEND & INTEREST PAYMENTS—
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April 26-May 4
London International Furniture
Show (01-385 1200) Earls Court
April 26-28
International Confectionery
Market Exhibition — INTERCONFEX (01-661 4900)
NEC, Birmingham
NEC, Birmingham
NEC, Birmingham
Obstribution Exhibition Conference (01-642 7688)
Avience Central

DIVIDEND & INTEREST PAYMENTS Coronation Synd., SScts. Provident Financial Sp Snires Invat., 39 [westpoticia Utd. Collectes 139cts.

FRIDAY APRIL 34 COMPANY MEETINGS—
Assum-Dodger, I Nobert Place, S.W.,
11.30
Ballie Gibord Shin Mipper. 3 Glenhales
St., Edibbergh, 12.80
Braine (T. F. and J. N.) Hunslet Road,
Linds, S.15
St. Vincant Street, Gissgow,
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Bryant Grand 30 Thrandecedie St. E.C., 100 Orange States Comparer & Office States (Orange Comparer & Office Automation Exhibition KIECO (01-439 0501)

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File Indition, Smearton Rd., Kiricaley, File, C., Cryolinger, S. 21
Salemander Derek, S. 21
File, C. Cryolinger, S. 21
File, Leith, Edinberge, 12.30
Laing Prose, Inn on the Rare, Hamilton Plate, Park Lapa, W., 12.00
Mount Charletts Irve, Mount Royal Hotal, Bryanton St. W., 12.00
File, Park Lapa, W., 12.00
File, Fall Control, Mount Royal Hotal, Bryanton St. W., 12.00
Sale Heldoys, Boundrie House, Middle-burgh Square, Folkesthone, Middle-burgh Square, Folkesthone, Manual S. 250
Sale Souttak Edinbellon, Household Exc., Souttak Edinbellon, Tolerhatton Cantro.
Type Test Television, Television Cantro.
Neccastle Upper Type, 2.30
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GOARD MEETINGS-

Vision Carbide

DIVIDEND 4 INTEREST PAYMENTS—
Bioriery Jeve. 4-Sct.
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Trade Fairs and Exhibitions: UK

April 26-3 Incentive Marketing Exhibition ference (014 Incentive Marketing Exhibition (01-686 9200) Brighton Metropole April 27-30 Business to (01-729 0677 May 12-15 April 28-30 April 28-30 April 28-30 Automated

Business to Business Exhibition (01-729 0577) Barbican Centre April 28-30

British Electronics Week (0789 bitton and Conference—AUTO-MAN (01-891 5051); Quality Assurance & Production Inspection Engineering Design Show (0895 58431)

Sandown Exhibition Centre May 12-15

Automated Manufacturing Exhibition and Conference—AUTO-MAN (01-891 5051); Quality Assurance & Production Inspection Technology Exhibition INSPEX (01-940 6068)

NEC, Birmingham

Oversees

May 8-13
International Industrial, Automation, Process Control Technician and Equipment Exhibition CHINA INPROTECH (02403-29406)

Beijing April 22-28 29406)
May 17-20
Business Efficiency Exhibition—
BEE/OFEX (02403 29406)
Hong Song April 25-30 International Wire and Cable Production and Wire Products Exhibition—WIRE ASIA (08833 7755) Beijing

7755) May 5-9 International Footwear and Leather Goods Show (01-379 0765) Taipei

0765)
Talpei
May 6-10
International Contract Floor Machinery & Equipment for Coverings Exhibition (01-734 Wood & Forest Industries—0543)

Frankfurt

Endapest
May 27-June 2
International Trade Fair for Machinery & Equipment for Wood & Forest Industries—11 IGNA (01-651 2191)

Hanover

Business and Management Conferences

April 27
CBI Making and using sales forecasts (01.579 7400)
Centre Point, WCl design and marketing (061.834 8457)
Financial Times The regulatory issues facing foreign banks in London (01.621 1355)
Barbor Frances Hall London 1355)
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Hotel Inter-Continental, W1

May 20-28 International Technical Fair (spring) (021-705 5707)

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BS Conference Studies: Stansted
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for development (01-935 2382)
Cafe Royal, Wi

Anyone wishing to attend any of the above events is advised to telephone the organizers to ensure that there has been no change in the details published.

Design or Decline — The Conference How to improve performance by good design

CBI, Centre Point, London, Friday 1 May 1987 Speakers include: John Butcher MP, Parliamentary Under-Secretary, DTI; Tony Cleaver, Chief Executive IBM; Simon Homby, Chairman, Design Council;

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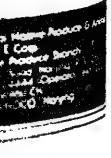
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MANAGEMENT: Small Business

"IT MAKES no sense to have special support policies for small- and medium-sized com-panies in West Germany," says of the country's Association of Chambers of Industry and Commerce (DIHT).

Policies for the Mittelstand -literally 'the middle classes' —are part of general economic and social policy. If we do have special policies they should be for the hig concerns."

The domination of the West German economy by smaller, usen family-owned companies, is vividly born out by the statistics. Of the 1.9m businesses in West Germany 99.8 per cent come under the definition of Mittelstand — they are run by independent owner/managers, employ up to 500 people and have a turnover of under DM 100m (£34.5m).

These concerns, ranging from a television production com-pany in Munich to a mechanical engineering concern in the Ruhr, from a secretarial employment agency in Cologne to a car repair workshop in Hamburg, employ two-thirds of the West German workforce and contribute nearly half of the country's gross national pro-

Despite the increased popularity of a public listing — 16 companies joined the Frankfurt Stock Exchange in 1986 — German businessmen are relucgerman businessmen are reinc-tant to seek a public quotation for their company. Frankfurt, the country's main exchange, lists only 365 German public companies on its full and secondary markets, compared with 2,445 UK companies listed in

But more important than their numbers and their legal status is the role these com-panies have traditionally layed in creating a stable and increasingly prosperous society.

While British government policies in the wake of the Bolton report of 1971 have been directed towards creating an entrepreneurial "middle class".

German policies have had the task of consolidating a same task of consolidating — some critics would say feather-bed-ding — a deeply rooted craft

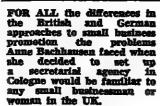
the Mittelstand has been seen as a stable, conservative eleand industrial tradition.
In recent years, the private sector in Britain has put into place with impressive speed a network of some 350 local enterprise agencies to advise ment in society," says Peter Andersen, head of the basic policy section for smaller enter-prises in the Economics Mini-stry, "Policies were aimed at maintaining social stability." small businesses. Germany has not needed to build such an organisation because this advi-sory role has long been filled not needed to build such an organisation because this advisory role has long been filled by a nationwide network of Handwerk (handicraft) organisations and chambers of commerce.

A combination of tough anticartel laws and the importance of regional centres of business activity has allowed the smaller which were being lost in the firm to retain its important coal, steel and shipbuilding

Charles Batchelor reports on the role of small business in the West German economy

A special case of their own making

on in Cologo: Cathedral : powerful bendicraft on A speciment in Calogue Canada a personal firms sector in industrial organisations give strength to the small firms sector in



woman in the UK.

"The banks were my biggest problem," says Bachhausen with a force which shows that, eight years on and with her business now well established, her early dealings with the financial world have left their scars.

Unable to provide securities she falled to persuade the banks to make a loan, Despite her long experience working for a secretarial

position in the German economy. This has been further fostered by the existence of powerful handicraft and indus-trial organisations with which

"Ever since the founding of the Federal Republic in 1949

It was only in the 1970s that

all firms must register.

Significantly, she decided against applying for any of the public sector programme funds to help small business, though it is unlikely, after the commercial banks had turned her down, that the green many consequents while even more conservative pub-lic credit institutes would have given her a loan. "I would have had to disclose too much to get public funds," she says, "It would

This latest phase has led to a proliferation of programmes by the federal government, the li states (Laender) and the local authorities aimed primarily at easing the smaller firm's access to finance and specialist solvies.

specialist advice. The various programmes now number several hundred and are encountering increasing criticism. "We have found 50 schemes for helping start-ups alone," says Gert-Walter Minet, an economist in the smaller firms division of the Federation of German Industry (BDI).

"These programmes run to
110 printed pages. But what is
their effect? Companies often
have to spend hours filling in
lengthy forms with formed details which have nothing to do
with the actual running of the
business." Even the Economics Ministry's sitm booklet
summarising the federal gov-



One way to break the vicious circle

nt programmes is 70

arnment programmes is 70 pages long.

The prospect of the EEC adding a further layer of small firms promotion programmes is regarded with horror by most Mittelstand groups in Germany.

EEC efforts to provide support in the form of financial aid or information programmes might be appropriate in Spain or Portugal but would be superfiscus in Germany, they argue.

Dissatisfaction with the mul-

Dissatisfaction with the mul-tiplicity of small firm support programmes has coincided with

programmes has consided with government plans to reform the federal tax system. The present system, which imposes a heavy tax burden on middle income earners, is to be replaced with one in which tax rates rise more evenly.

agency, and the fact that she had aiready signed up some big clients, the bankers were unimpressed. She eventually went ahead with DM 60,000 have cost time and money to prepare a detailed business plan and get the necessary approvals."
She also tangled with a bureaucracy which requires signatures and approvals from a range of efficial bodies

including the local treasury.

office and the courts.

Without the signatures it proved impossible to rent.

offices and without the office address it was impossible to get the signatures. Bach-hausen says she finally broke through this vicious circle by

The 279,000 new businesses which start life in Germany each year normally go through a fairly standard registration procedure but Bachhausen foels the business she was going into—job placement is generally the preserve of the local labour office—and the fact that she was a woman may have made Potential customers, Potential customers, toe, proved cautions and it was only by taking a secretarial job with some clients herself that she was able to demonstrate the quality of the service she was effering and staging a sit-in at the estate agents until he agreed to assign her a lease.

go has yet to be decided but the general principle, of creat-ing a favourable economic cli-mate for business, rather than giving help to specific sectors has been accepted.

has been accepted.

"The programmes had become confusing and had nothing to do with sensible economic policy," says Andersen, "We want more transparency and more efficiency. The Mittelstand no longer needs a special advocate to put its case."

This new fiscal rigour is ex-pected to lead to the ending of pected to lead to the ending of the federal programme for pro-viding long-term funds to start up companies and of a special scheme to help technology-based companies pay for re-search, and development staff. There is some political pres-sure to maintain these pro-grammes, however. however.

Under the start-up programme, for example, new companies may borrow up to DM

The rigour of the selection

process is effective in reduc-ing the failure rate of new firms to around 10 or 11 per cent over the first six years. This compares with an overall failure rate of all start-ups of 40 to 50 per cent—though this figure too is lower than the 66 per cent failure rate usually assumed for new British firms over a five to six year period.

While these relatively low drop-out rates are a source of satisfaction to lenders they do raise questions about whether the German system is missing the high-risk high fivers as well as the duds. Eversmann puls the number of innovative new companies being created at less than 3 per cent of the total while Klaus Noetzel, a director of the Equalisation Bank (DAB) puis it even lower—at just 1 per cent in 1984.

Noetzel outlines the selection procedure for a DAB loan. "We look at the man's curriculum vitae and only give money if he is skilled and has experience. A teacher who wants to She also faced the usual cash flow crisis experienced by many small businesses in their early menths. She had to pay her staff and meet their health insurance bills before money started coming to from cusingsers. Two years open a restaurant won't get any money from us. It could only go wrong. We know most failures result from a lack of

"We do realise though that the fact that a man is a good cook does not mean he can run a restaurant. We get him to produce a business plan which we compare with data for that sector on our computers to see if it is realistic."

The result of this caution has been that half of all DAB loans have gone to the traditional Handwerk or handicraft sector while just 4 per cent have gone into industrial companies.

and with an amministrative staff of three. Turnever is DM 5m (£1.7m) and, though her initial motivation was in-degined to make money, she is comfertably ahead of her pre-vious salary level. "We must concentrate fund: "We must concentrate runds on the more innovative areas," warns Reinhard Clemens, deputy director of the Institute for Smaller Enterprise Research (IFM) in Bonn. "We have always taken the view that the Mittelstand could look after itself." 300,000 over 20 years—with no repayment required for up to the first 10 years. After two interest-free years interest rises to a maximum of 5 per cent after five years—2.5 percentage points below current rates of interest.

But opinions in Germany are divided on whether federal pro-grammes should be targeted more carefully at special sec-tors. "The businessman should be allowed to decide which area he can make the most pro-fit in," says Burkhar Mueller-Kaestner, chief economist of the Reconstruction Loan Corpora-tion (KfW). "We cannot be cleverer than the market."

But even if these—to many European eyes—mouthwater-ingly cheap federal funding programmes are cut back, equally attractive funding programmes are operated by three state-owned credit institutes with access to cheap funds initially provided by the US Government under the Marshall Aid programme to rebuild warbattered Germany. These programmes would be maintained. In recent years this policy has served West Germany well and helped promote strong economic expansion. But this month's warning from the country's five leading economic institutes that growth is slowing down may strengthen pressure for a reassessment of this liberal tradition. Despite the attractiveness of the programmes, Bernd Evers-mann, a director of the West-deutsche Landesbank, estimates that only one in five new com-panies takes up public funding —either out of ignorance or

because they do not want to go through touch approval proce-**Exporting:** not quite so difficult

> EXPORTING may not always be fun but it is not such hard work as many smaller British work as many smaller British companies seem to think. That is the message of a study of the expert activities of some 2,000 small and medium-sized firms published this month by the British Overseas Trade Scard.

"Our findings "Our findings overturn the conventional wisdom on the subject," May the reports author, Graham Bannock, Many firms overestimate the difficulties of selling to oversees markets. The most priors harriers to ergesting are not a much a lack of competence but a lack of knewledge, commitment and persistence, the study shows.

if "passive" exporters—which have no export strategy and only sell abroad occasionally—could be persuaded to become "active" experiers—which make more than 15 per cent of their sales abroad—British small firms would add £5.2hn to the country's export tatal. If the country's export total. If non-exporters could be encouraged to become only "passive" exporters a further 5600m of overseas sales could be achieved, the BOTE says.

The report contrasts the attitudes and responses of successful and unsuccessful experters. The former look at projected returns on a longprojected returns on a long-term basis; the latter see exporting as a gamble with spare cash. The former care-fully build up in-house expertise and assume that mis-takes will be made; the latter are overwheimed by early obstacles and blame others for their failures.

The publication of the report coincides with a change in the BOTB's approach to expert promotion. Instead of sending an adviser for a half-day visit to a company which is already selling everseas, it wants to run more seminars and export clinics to reach the

And, rather than BOTS staff talking to people, a greater effort will be made to per-suade businessmen who already export to pass en their experie

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OVERSEAS NEWS

Andrew Gowers studies recent moves in the Mideast peace process

Waiting for the Super-powers

THE STORY of the search for peace and justice in the Middle East is a tragedy of opportunities inissed." proclaimed President Ronald Reagan at the launch of his own peace initiative in September 1982. "If we miss this chance to make a fresh start, we may look back on this moment from some later vanmoment from some later van-tage point and realise how much that failure cost us all."

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Four years after the Renaminitative ran out of steam, exhausted by varying degrees of hondlity from both those of the Arab-Iaraeli dispute, the Middle East has become the subject of another, albeit lesser, flurry of diplomatic activity.

Mr. Leo Tindemans, Belgium's Foreign Minister and current chairman of the EEC council, has just completed the first leg of a mission to the region to try to confure some progress out of the Community's declaration several weeks ago in support of an international conference on the issue.

King Hussein of Jordan was in Europe earlier this month and his Frime Minister and Foreign Minister were in Washington, trying to whip up support for a conference. Mr Shimon Peres, the Israeli Foreign Minister were in Washington into Peres, the Israeli Foreign Minister, has been touting his own version of the idea. In differing intonations, Arab League ministers voice their

In differing intonations, Areb League ministers voice their support for the concept in one

support for the concept in one form or another.

The words "international conference" have become part of the standard West European and, interestingly, Soviet vocabulary to deal with the Middle East conflict. Yet in a curious way, all this evidence of dislocation arctivity memors. of diplomatic activity seems illusory.

illusory.

In recent months, despite the desperate optimism with which they have grasped at signs of support for a conference, the spirits of moderate Arab leaders have been at a low obt. In private, the talk smong foreign policy-makers has been all of missed opportunities and of the dangers of a drift to extremism. Mr Resgan's 1962 words still seem to haunf the debats.

debate.

In part, this is because of the "Irangate" revelations, which have inflicted severe damage on the image of the US, the ally of moderate Arab states and, of course, a key arbiter in any eventual conference. King Eussein said in an interview with the FT earlier this year that the Beagan Administration had lost all credibility in the



Yazzir Azziat and King Hassein; berely on speaking terms now.

there.

On the conference itself, as there in the conference itself, as any dislogue with Israel. The results of his split with Arafat are twofold. On the one hand, the King has been trying to any dislogue with Israel. The results of his split with Arafat are twofold. On the one hand, the King has been trying to any dislogue with Israel. The results of his split with Arafat are twofold. On the one hand, the King has been trying to any dislogue with Israel.

The results of his split with Arafat are twofold. On the one hand, the King has been trying to any dislogue with Israel.

The re

tion, which has not renounced terrorism, cannot alt at the table. His opposite numbers are groning disjointedly for a formula which will accommodate this demand in a way that might just prove acceptable to the PLO leadership.

Behind this pretty fundamental quibbling lies a bewildering statemate on several fronts.

Two key players on the Arab side, of any peace, pegotistions

agreement with King Huisein which called for joint representation and a Palestinian-Jordanian confederation. King Husein suspended the accord early last year. There is, nevertheless, bound to be tough talking in Algiers over who should represent the Palestinians at any international conference on any international conference on the Middle East.

The current state of Israeli politics is in some respects a mirror-image of the divisions in the Arab came. The grand coalities of the right sine Liking bloc and Ishour which has ruled the country since 1984 has brought a measure of calm, but it has also paralysed the foreign policy-making machine.

While he become who banked

While Mr Peres, who handed over the premierably to Mr Yinhak Shamir last October under the coalition agreement, travels the world proclaiming support for a conference. Mr Shamir has been simultaneously making it clear that this is not official Israeli policy.

Description these shaming of

region as a result of its arms sales to Iran, whose radical rulers probably pose the greatest threat to moderate Arabs.

But the sense of frustration and disfillution goes deeper than that, reflecting am overwhelming sense of the processional obstacles that still block the path to the negotiating table, let alone the disagreements that are extrain to crop up once all the parties get there.

On the conference itself, as official largely policy.

Frequency and Mr Yessir Arabia in Syria, meanwhile, has not deigned to have anything to do strong since the Ring lost patience with what he saw as prevariention by Mr Arabia in February last year.

Between 60 per cent and 70 per cent of the King's subjects the path to the negotiating the Ring subjects that are electron of the Ring's subjects the Palestinian and he therefore meets that are extrain to crop up once all the parties get there.

On the conference itself, as which a lordarian carrying a preparative of the Palestinian people) if he is to embark on any dialogue with Israel.

While things are at such a

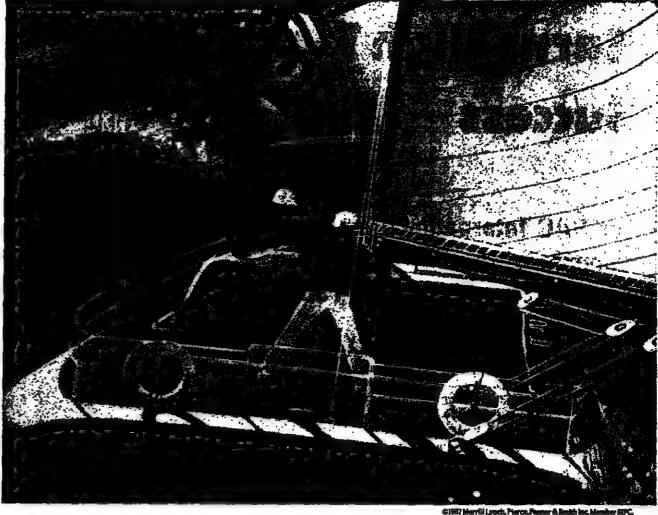
While things are at such a tentative stage, hir Asand has no need to show his cards. Equally, there is no great pressure on the Israelis to break their domestic stalemate.

All this suggests a greater need than ever for some kind of external intervention to try to pull the diverse strands to gether. That almost certainly has to mean the adoption of a much higher prefile on the laue by the US, which has been minimuring in recent weeks about doing something to restore its credibility in the region.

are expressing increasing dissochantment.

On the other hand, the Palesinians appear to be moving to patch up their own internal differences and are, inevitably, hardening their lines as a result. The Palestine National Council—the PLO's parliament-in-exite—is meeting in Algiers this week for its first session since the Amman meeting in 1984 which heraided cooperation between the PLO and Jordan. As been paying significantly instrument the PLO and Jordan. As been paying significantly instrument to have successfully demanded Mr Arafai's formal abrogation of his 1985 very ago.

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APPOINTMENTS

Departmental posts in Barclays Bank

Mr Clive Fenn-Smith becomes

J. C. D. Pilley, Mr I. Scott, Mr
managing director of BARCLAYS

BANK TRUST COMPANY from
July 1. This appointment is in
addition to his responsibilities as
a vice-chairman of Barclays

WAITE ENGINEERS. He is a
wanted disparate of the commercial litigation); Mr
michard Stones (banking and corporate finance); Mr
Gary
WAITE ENGINEERS. He is a
management of the commercial litigation); Mr
michard Stones (banking and corporate finance); Mr
Gary
WAITE ENGINEERS. He is a
management of the commercial litigation); Mr
michard Stones (banking and corporate finance); Mr
michard Stones (banking and corporate finance); Mr
michard Stones (banking and corporate finance); Mr
managing director of BARCLAYS

Mr T. H. Eindersley is to be
Waissa (property); and Mr John
and insurand corporate finance); Mr
michard Stones (banking and corporate finance); Mr

Mr David Turls is appointed deputy divisional general man-ager of the central advances assistant general manager there from the same date

Mr Terry Jones has been populated internationanl trade appointed internationant trade director of Barclays' corporate division. Mr Tony Archdescon becomes an assistant general manager from June 29, in the bank's regional general managers' office for Africa and the Middle East. Mr David Viol is appointed international services director of the international services office from May 4.

Mr Paul Southern has been appointed corporate finance director for the north east region of COOPERS & LYBRAND.

Professor B. K. Follett, professor and head of the department of zoology in the University of Bristol, has been elected a member of the ROYAL SOCIETY'S council and secretary (for the biological sciences) from August 1 in succession to Sir David Smith, Sibthorpian Professor of Rural Economy in the University of Oxford, who becomes Principal of the University of Edinburgh.

Mr Barry Cager is retiring from the BREARMATE GROUP and his deputy, Mr Christopher Thomas, has been confirmed as the new managing director. The pany was acquired by the tchief Group in early 1988.

Sketchley Group in early 1988.

FRAMPTON VILLAGE CIDER COMPANY has appointed Mr Bev Hiskley as managing director. He replaces Mr Densis Foster who took on the new role of sales director in the recent reorganisation at Mansfeld Brewery. Mansfeld are joint owners of Frampton with Haslewood Cider Company, part of the Hazlewood Foods Group. A member of the Frampton board since it was set up in May 1985. Mr Hinckley was made managing director of Hazlewood Cider six months later. He will have the backing of Mr Steve Holt, who joined Mansfeld Brewery from Texas Instruments as marketing and commercial director is antumn last year, and will now combine his brewery role with a similar one at Frampton.

New directors appointed to the board of HENDERSON ADMIN-ISTRATION, principal operating subsidiary of Henderson Admin-istration Group, are: Mr D. M. Anthony, Mr J. E. Brews, Mr B. C. Burrews, Mr D. A. Colling-

non-executive director of the Braithwaite Group. The company has appointed Mr David Welfenden as business development director.

LOVELL, WHITE & KING has made the following partnership moves from May 1. Mr Matthew Hill is moving to the New York office as resident tax partner, to replace Mr Andrew Carran who returns to London. Mr David Farrington will be joining the New York office in the autumn, to strengthen the local team in the areas of trade, insurance and transportation. Mr Nichelas Genld moves to the Hong Kong office to head the construction team, replacing Mr Andrew Walker, who returns to London. The firm has appointed the following to the partnership from May 1. Mr Questin Archer (intellectual property, computers and communications); Ms Sasan Barns (construction); Mr Paul Oldman (banking and corporate finance); Ms Geraldine Proudler LOVELL, WHITE & KING has



Mr Harry Fell, vice chairms of Shipton Building Society Following the appointment of Mr J. Brian Hagnas as chairman, SKIPTON BUILDING SOCIETY has appointed Mr Harry G. Fell as vice-chairman. He became a

director of Robert Fell, and chairman of Associated Heating Equipment Distributors.

LONDON RECORDS has appointed Mr Paul Lower as finance director. He joined the company in 1984 as financial controller.

WS ATKINS MANAGEMENT CONSULTANTS, Epsom, has appointed Mr Harvey Gordon as deputy managing director. For the past four years he has headed industrial and economic planning division. He is a former director of the Henley Centre for Forecasting.

Mr Ewen Gilmour, Mr Alastair Mairhead and Mr Crispin South-gate have been appointed to the board of CHARTERHOUSE BANK Mr Paul Green (foreign exchange) and Mr Christopher Lee (money markets) have been appointed divisional directors.

CIRCAPRINT has appointed to the board Mr Rusiridh Mac-kemie, Spancial controller, as director and company secretary and Mr Ken Mills, general sales



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BBC Symphony/Festival Hall

David Murray

Another very good, not very popular concert by the BBC last Wednesday: if anything about a work in which he is arguably it was "obscure," it was only the choice of the closing the choice of the closing "popular" work — Ravel's La Valse, which followed calorie-rich Reger and lean, earnest Schoenberg like a cyanide soufflé. The conductor Dennis Russell Davies made it fast, but strings and brass outstanding, and every sinew of the light and vicious, with a dry death-rattle at the start and an almost unbroken frantic accelerando fraga middle to end. The luscious tunes were left uninflected, but the baleful accelerando fraga middle to end. The luscious tunes were left uninflected, but the baleful as good as mything heard on machinery was fully exposed. Effective, once in a way, with-out some preliminary seduction, however, the final ruin is only abstractly exciting.

Schoenberg's late Piano Concert owas the central work. Alfred Brendel has been playing it for most of his career (though he still plays if from the music), and its sturdy subtleties are second nature to him. Every phrase tells, the main tunes sing, and his integration of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content of the piano-part into the orchestral playing was impressively alert. The content Another very good, not very the Royal Philharmonic popular concert by the BBC last Orchestra on Thursday included

masterly. He is a pianist who whose youthful, impassioned knows his orchestral accompaniments better than most tempered with a degree of conductors, Davies was nonetheless an alert and loyal partner, and the orchestral susaiveness, whose interpretations are hard to resist; in this musicianship. In such a performance the Concerto is a wonderfully bracing piece, and burnane: among the one-movement piano concerti of our century it deserves to stand with Fauré's late Fantoisic (even more neglected), and Ravel's evergreen masterpiece with Faure's late Fantaisie (even more neglected), and Ravel's evergreen masterpiece for a one-armed performer.

Max Reger's "Variations and Fugue on a theme of J. A. Hiller" occupied the first half of the concert. Phenomenally resourceful and fluent, they left me indifferent: I blame it on the time. One of these days, aspects of Reger are going to engage our full appreciation—but not yet. I admire the Symphonic Prologue to a Tragedy, composed a year after, and the much later "Variations and Fugue on a theme of Mozart" (from the irresistible Piano Sonata in A: Reger's Variations make it clear that he fored it as much as the rest of us do), and some organ

The Beurnemouth Sinfonietta under its principal confuctor Roger Norrington made on Thursday one of its infrequent visits to the Elizabeth Hall with a programme of Stravinsky and Mozart. The Dumbarton Oaks Concerto (Rightly sprung but a bit shaky in the lower strings) and, after the interval, a lively but not really first-rate reading of the overlong Danses concertantes comprised the Stravinsky part; in between came an account of the Mozart D minor Cancerto, K466, that existed on a quite different plane of intensity, thrust and munical conviction.

The planist, Angela Hewitt, gave an unvariabled, and even rather severe view of the solo music—no Perahia-like meiting moments here! — informed by a sense of dramatic excitement that the conductor currently conducting that greatest of D minor operas Don Gloomss, at the Coliseum) and his players supported at every turn. This was, I think, the fastest K466 I have ever heard: but it was not elipped or breathless—urgent, gather, and geanulaely stythther, and geenuinely shyth-

he leved it as much as the rest of us do), and some organ pieces and even the Plano Coucarto. In the Hiller Variations, even when rendered as sveltely as by Davies, I hear only a prodigal exercise of academic ingenuity. There could have been more of it, or less, or in a different order, and it wouldn't matter a bit. One of these days, maybe, I'll be happy

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these days, maybe, I'll be happy to eat my words. of Pageo

LFB, London Festival Ballet's The new agreement, which maller company, returns to also involves the Association of Section's Walls for the Association of smaller's Wells for its second Opera Houses, increase the one-week season tonight with a world premiere and three London premieres, sponsored by Privatbankan.

Christopher Bruce's The Dream is Over, which uses songs by John Lennon to trace the story of his life, has its world premiere on April 24, followed by the London premiere of a new work by American chorce-grapher Ulysses Dove set to a second of the Ruisag Class from April 27 for the fore tracks. Time grapher Ulysses Dove set to a commissioned electronic music score by Robert Ruggieri.

The other two London premieres are Noctarue by Kevin Halgen, to music by Dworak and which opens the season, and Michael Clark's Drop Your Pearls and Hog It Girl, per-formed on April 24.

Live opera broadcasts will return to Radio 3 later this month, marking the end of a long-running dispute between the BBC and Equity, the actors union. The row-over payment to choristers has lasted for

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Arts news in brief...

puring on Poter Barnes's back comedy The Ruling Class from April 27 for four weeks. Tim McInnerney stars as the 14th Earl of Gurnsy.

The east of Alan Ayekbourn's Woman in Mind at the Vaude-ville Theatre in London has changed for the remainder of the season which last 11 weeks. The newcomers are Pauline Collins, Michael Jayston, Ralph Bates and Jacqueline Clarks.

Leonard Bernstein has been appointed President of the London Symphony Orchestra with whom he has been associated with since 1986.



Marina Abramovic with one of her life-size Polaroid prints at the Tate-"Thursday/Saturday"

Tate/William Packer

New Art from Europe

With Turner safely re-launched and on his way again, it is time to remind ourselves that the Tate also has its responsibil-ties to newer, frailer, less stately craft. Modern art may stately few friends in West-minster and bricks fly through the air occasionally, but our de facto museum of modern and contemporary art must perand contemporary art must per-form as such or fail in its duty. So it does; and if we are often presented with work that we find difficult or puzzling, or even actively dislike, so be it. In recent years Gerald Metals has been sponsoring a most useful series of exhibitions under the head of New Art, that has brought to the Tats a wide range of current intera wide range of current inter-national work in every medium. The fourth has opened, filling the central hall beyond the Rotunds with the work of eight artists based in Germany and the Netherlands (until June

All are comparatively young, in their thirties or early forties, but though they have shown regularly in Europe and in some cases America, and had their work included in major international - festivals, they have enjoyed little recognition. have enjoyed little recognition in Britain.

whether this will change must wait upon events and too much, perhaps, should not be expected from this airing. It is a caratura show, chosen by Rut, the most striking of the Catherine Lacey of the Tate photographic work to the reputation, working context and particular idea and method, who is that by Marina MAX LOPPERT

> fusing. From their name one might reasonably be confident

might reasonably be confident that the English Baroque Choir and Orchestra would be among the many small groups currently working with original instruments, but in fact they are not, and their Good Friday performance of Bach's St. Matthew Passion at the Barbican was far nearer old traditional values as the current

tional values as the current scale of performing styles goes.

A chacus son gott: to point a certain dryness in the show is neither to criticise nor complain but only to remark a general character. There are ance and participation artists rich pleasures, if only a few, to be discovered and reliahed, and dryness can be a pleasure in record and expression. In such the first in one way or another as reference or material.

Pieter Laurens Mol has reage smoke beiching from an accusal funnel trumpet across the common street corner that is the photographic base for his mixed media relied. Marlene Dumas shows a set of paintings of heads, larger than life and an chose up as in fill each can.

Abramovic and her partner, Ulay (Uwe Laysiepen), who is completed by every interpretation artists for whom the camera is the natural instrument both of record and expression. In such work a balance must always be held between the fleeting it in one way or another as record and expression. In such the second and expression. In such work a balance must always be held between the fleeting it in one way or another as reference or material.

Pieter Laurens Mol has record and expression. In such the fived image, though with the fulcrum ever shifting along the pole that joins them. Here the point lies wery close to the fixed image a work that can be taken simply for what it carries and what it is, with only distant reference to an participation artists for whom the camera is the natural instrument both of the work a balance must always be held between the fleeting though with the fulcrum of the fived image.

Peter Laurens Mol has crange smoke belching from an actual funnel trumpet across the common street corner that is the photographic base for his mixed media relief. Marlens Dumas shows a set of paintings of heads, larger than life and acclose to as to fill each canof heads, larger than life and as close up as to fill each canvas. But the nature of their detail and physical space, and the manner of their working across the surface, betray either their direct photographic reference — as it were upon a projected slide — or suggest a most sophisticated double-take. They are ambiguous and intriguing works.

They are ambiguous and in-triguing works.

Astrid Klein shows large photo-montages, vastly blown-up images of architectural frag-ments and structural textures, collaged, superimposed, impro-vised, the film itself sometimes worked directly. They are sustere and block, but work powerfully on the imagination given a little time.

But the most striking of the

St Matthew Passion/Barbican Hall

The problem is not so much one of clarity as of dramatic hite. After hearing so many expert chamber choirs in this music recently, it comes as a disappointment to have to forgo their brilliant attack, however accomplished the larger change.

Richard Fairman The plurality of baroque en- the sort of heavyweight playing too would have liked a touch sembles these days can be con- that Klamperer and Karajan more pace, but that did not stop

used to get from their full some well-judged singing from symphony orchestras. But the English Baroque Choir, at nearly 190 voices in total, belongs to performances in quite a different league.

or event.

They are showing life-size Polaroid prints, the single figures black and white upon a deep red ground, as rich and shadowy as we might expect an Egyptian twilight to be. Miss Altramovic is herself the figure, dressed in the long skirts of the ancient Egyptians and appropriately hare - breasted, striking successive hieratic attitudes in profile, as if she might be a priest or god in the paintings in the tumbs.

But her head is masked by the full black silhouette, set beforehand upon the unexposed dim, of the head of a built or ram, or crocodile, each in its turn. These beautiful, taking images of ancient gods, so delicate and full of wit, are faintly sinister still, for all the light play they make between formal technique and contemporary, sophisticated idea and effect

Hyde Park/Swan, Stratford-upon-Avon

Martin Hoyle

James Shirley wrote prolification of them is a determined rake, gets her own the revered and was respected by such survivors from the golden age as Massinger, Flotocher, and Chapman; and colcherated with many of them. Golden was respected by the cher, and Chapman; and colcherated with many of them. Golden was respected by the cher of them in the cher, and colcherated with many of them. Children plainter was admirer (Alex Jennings, So He revered and was respected by such survivors from the golden age as Massinger, Flet-cher, and Chapman; and col-laborated with many of them. He introduced female players into a masque-within-a-play and wrote a comedy to a scenario graciously provided by Charles I. With the Restoration, the old Royalist was considered dated — ironically, since in dated — ironically, since in hindsight he bridges Jacobean intrigue and the cool, clear-eyed sexual fencing to come. He and his wife died of shock and exposure on the same day after losing their home in the Fire of London.

of London.

Barry Kyle's fascinating production of Hyde Park, for the Royal Shakespeare Company's Swan Theatre, is permeated with the same melancholy summer wistfulness as his Love's Labour's Lost, and ends with a similar gathering of young people, proved and tested in amatory skirmishes, moving towards maturity.

towards maturity.

Shirley's women make most of the running. They know how to bargain for a sexual modus pipendi from their own modes opposed from their own hard-won territory. If the man-mocking Miss Carol, played in this post-World War I setting as a potential Virginia Woolf tapping out her sharper observations on a typewriter, looks back to Beatrice, she unmistakably points the way to Congreve's Millimant. And the virtuous fiancée, tested by her

plainly respected Shirley women.

Jeremy Same's drowsily bitter-sweet music sets the scene for this sub-Bloomsbury group, venturing into ragtime and "Caro mio ben" filtered and "Caro mid ben' mitered, through Ibert, while sounding mostly like Armstrong Gibbs. Shirley's rangy dialogue, elliptical, often fragmented, takes modernisation well. Jealous Trier is an artist, painter of all the female characters. A strayle of require characters. A stroke of genius makes Fiona Shaw's tall Misa Carol into an attenuated Klimt-like jemme fatale.

Intrigue surrounds the nuptials of Lacy (Richard McCabe) and Mistress Bonavent (Pippa Guard), resigned to widowhood seven years after her first husband's departure. The climax, when a gold-masked figure in white silk descends on a trapeze to discard a disguise and reveal the long-lost Bonavent in khaki, possibly a survivor of Gallipoli ("I was taken by the Turk"), is almost Shakespearian in its ritualistic Shakespearian in its ritualistic completeness.

Intrigue surrounds the nup-

The first night's pace was slightly too leisurely, despite offstage horse-races (in Pepys' time they were on stage). Miss Shaw, the gawky man-hater, began low-key, tending to a

admirer (Alex Jennings, so good in Manchester's splendid Country Wife) makes her swear not to love him—a nice touch in perverse psychology. since naturally the lady then proceeds to do so.

John Carlisle's rakish lord loses much of his humour, here played as a chillingly dedicated voluptuary suddenly transformed into John Wesley in ascetic mood. The character is fascinating, modern in its un-tidy moral contradictions, but here dangerously close to a 19th-century villain.

My colleague, Coveney, who lamented the weak supporting cast in Julius Caesar, may rest assured: the Swan company brims with talent. Felicity Dean's put-upon virgin confirms that the long rhetorical speeches can be movingly done.

Miscalculations include the Miscalculations include the perky page re-interpreted as my lord's spivyy lower-middle-clas ssecretary on the make. Happy touches include the earnest devotees of Isadora Duncan prancing in Grecian draperies at the drop of a fillet. (The headgear, not the fish.) Such thoughtful theatrical rediscoveries are what the Swan is for, especially when the result is as rewarding as this.

The Sleeping Beauty/Covent Garden

Clement Crisp

gold and porphyry in the Peter Wright/Philip Prowse Sleeping Beauty. Miss Ashley is New York City Ballet's Atlanta, the dazzling incumbent of many Balanchine roles, and she finds no essential disparity of style between Petipa and his rightful

heir, Balanchine,
There is, indeed, Balanchinian,
nuance to some of her dancing
in this greatest challenge of the traditional repertory— quick muscular redex; brightness and vivacity of accent; an assertion of the choreography's boldest effects. — but she is a true Aurora on the role's own terms. and will be an even truer one after greater familiarity with it. (Her only prior experience with

signs of nervousness. There were small insecurities in phrasing, and excessive emphasis and even excessive naturalism in dealing with mime sequences, which brought tennecessive alcharation to unnecessary elaboration to a simple emotional situation. But the scale of the reading — its largeness of outline and of physical statement — were already notable, and Miss Ashley found her best form in the solo of the Vision scene and in the great wedding pas de deux. Here the dance was generous, radiantly assured, and the role lived fully.

To mark the opening of a Aurora came last year in playing, producing an easy season at the Royal Opera America when she started in a account of the bravura dance flouse, the Sadler's Wells Royal small-scale staging).

Her first act was marked by is to Philip Prowse's enormous gold and popphyry in the Peter signs of nervousness. There are carefully a seaso of historical warms amall insecurities in credit that a sense of historical truth, the result of his unfail-ing awareness of period cos-tume and of the physical world of Versailles, creates for us an imaginative world of Versailles that is the ideal location for this fairy-tale ballet.

It is no less to Peter Wright's credit that with restricted forces, and within the context of a production designed for touring ballet's supreme masterpiece is so honourably displayed. Company performances are whole-hearted, and will merit more comment as the Roland Price was her caves gratefully noted, made possible lier, gently supportive in by sponsorship from Citicorp double-work and discreet in Investment Bank.

Chamber choirs/St John's, Smith Square

Andrew Clements

disappointment to have to forgo
their brilliant attack, however
accomplished the larger chorus
may be. Narrative sections, in
particular, need a more
dynamic variety of pace instead
of the gently and patient unders
standing that the conductor
Leon Lovett bestowed upon the
work as a whole.

It may be that the soluists

| bass. |
| Beclistives were straightforward in the modern manner
(no romantic indulgence here)
| With the high vocal lines of the
| By and patient unders
| By and

For its Smith Square concert in Holy Week the New London Chamber Choir came up with tings with considerable care a fresh approach to programme building. The Tenebrae (though the few psalms almost as odd to appland an estimated for Good Friday are generally heard nowadays as a concert item in their own right, totally divorced from the context in which they were intended to be heard. Conducted by James Wood, the NICC on Wednesday attempted to recreate the original service of which the Responsories Mile I can understand the fourned a part, interleaved historical and musicological between the antiphons, psalms and Responsories. The mixed choir sang Gesualdo's settings to an expective support of the propagation experience that generated to the result was less a musical experience than an imposed religious one. The implication that one cannot appreciate Gesualdo's genius without sharing his beliefs is, to me, rather dubious.

Interpolated into the 16th-Interpolated into the 16th-century sequence was the first performance of an a coppella piece commissioned by the choir from Jonathan Harvey. Forms of Emptiness sets a characteristically exotic confec-tion of texts—the Sanskrit Heart Sutra, overlaid with three poems by e c cummings — to music which itself is stylisti-cally heterogeneous. The setting April 17-23

cally heterogeneous. The setting of the Sanskrit combines Stimmung-like vocal harmonics with spoken passages, while the poems move through a variety of styles from Palestrina to the present: quick snapshot-like hints of different idioms which pass quickly across the surface of scarcely changing chart of scarcely changing chant beneath, In the work is buried, I suspect, the germ of a much bigger work that could explore its theme of the transitory juxtaposed with the external at far greater length. As it stands, however, too much seems to be crammed into too short a timestant as that the

cated St John's, Smith Square than the Hilliard Ensemble.
— safe for agnostic consciences,

DAVID MURRAY

For its Smith Square concert lessons and Responsories. The and maximally flattering to an

taxing part, beautifully executed without show — over warm, steady tenor, lower voices entering from time to of this lighty wrought music remains a marvel, owing to routine Renaissance intricacies. The superlative Hilliard pitching expanded in St John's as only the most musical intona-tion can do, toughened by the period-pungent tang of their second tenor. Music lovers who think themselves disabled from appreciating such stuff through lack of conviction are mistaken; they ought to try the Hilliard's Schiltz at the Wigmore on

April 29. April 29.

The second half of the Hilliard concert brought John Taverner's "Dum transisset sabbatum" motet, with its revolving harmonic sequences hauntingly turned, and both the Tallis Lamentations. There the ensemble allowed themselves some proper theatre, not only its theme of the transitory juxtaposed with the external at far greater length. As it stands, however, too much seems to be crammed into too short a timespan, so that the textures become congested and the essence of its argument is obscured.

ensemble allowed themselves member proper theatre: not only a pleading edge for the cries of "Jerusalem" in the First Lamentation, but something like urgent desperation in the "Omnes persecutores" of the Second, Again their address remained within the bounds of ecclesiastical reverence and wet obscured.

manned within the bounds of ecclesistical reverence, and yet exposed a wealth of feeling. In these 1980s, there must be a great many Londoners still who right programme in the right have been too shy to discover place for the day and age: the power of such music. There sacred works in the decouse-is no better medium, I think, sented St. John's Smith Source than William France is no weather than the William France is no better medium.

on Sunday, June 21.

London Festival Orchestra to tour The London Festival Orches-

on Sunday, June 21. tra with director Ross Popple
The programme will include is to leave for its South Ameriis to leave for its south American tour on April 28, and will become the first British Orchestra to perform in Argentina since the Falklands War.

Backed by the British Council, the orchestra will perform in 11 cities in seven countries

and the second s

Arts Guide

all the Arts appears each Friday.

In formation choir and orchestra are strangely disparate. With a viola da gamba and a pair of recorders (taking their place as Bach's "fauti dolci") among the instruments, there is a nod towards authentic timbres and the reduced number of players does not provide

It may be that the soldists

Music/Monday. Opers and Belist/Tuesday. Thesita/ Wednesday. Exhibitions/Thursday. A selective guide to

Opera and Ballet

LONDON Royal Opera, Covent Garden: Otello, in the production by Elijah Mosh-insky first shown earlier in the sea-

insky first shown earlier in the season, is conducted by Edward Downes, and hes Vladimir Atlantov in the title role, with Rosalind Plowright as Desdemona and Sherrill Milines as Lago (246 1085). Eaglish National Opera, Collecton: One of the crucial landmarks in the formation of Bussian opera, Dergomyzhsky's Stone Guest, joins the repertory of a British company for the first time. Graham Clark, Kathryn Harries, Saily Burgess and Mell Howlett are the principals, Paul Deniel conducts, and Keith Warner is the producer. This version of the Don Juan Legand is playing in the ENO repertory elongaide the greatest of all, Don Glovanni, which brings Roger Norrington as conducting Roger Norrington as conducting. est of all, Don Giovanni, which brings Roger Norrington as conduc-tor and Jonathan Miller's lively, un-even production Back to the Coli-seum. The new production by David Alden of Simon Boccangra is terri-bly dated-modernist, with every sec-ond image a dip into the sea of sur-realism; but it is finely conducted by Mark Villes and the start (Jonathan Mark Eder, and the cast (Jonathan Summer, Gwynne Howell, Janice Cairns in particular) are excellent.

Manrice Bejert's XXth century ballet: Mahama or the Matamorphosis of the Gods. TMP-Chatelet (423) 4444). issue of the state of the state

ad by Gwyneth Jones and Chryso-themis by Chenyl Studer/Helene Garetti. Paris Opera (4286 5022). Spectacle Stravimski conducted by Lo-

Spectacle Strawmani conducted by Lothar Zagrosek, production and
choreography by Wilfride Fiellet
and Jean Guinerix: The Fox, ragtime, recital of vocal melodies and
plane, Mayra. Opera Comique
(4296 0611).

Plane Bausch and the Wuppertal's
Tauxtheater reveal through remorse-less questioning the essential
in man in two alternating programmer: Gebirge and Kontakthof.
Theatre de la Ville (4274 2277).

WEST GERMANY

Berlia, Dentache Oper Tosca, with an interesting new cast led by Nelly Miricioen and Nell Shicott. Aida stars Margarita Castro-Alberty, Christina Anghelakova, Cornelini Murgu and George Fortune. Götterdimmerung, produced by Götz Friedrich, has fine interpretations by Deburah Polaski, Cheryl Studer, Toni Krämer, Gend Feidhoff and Gotthried Hornik (3 43 fil). Hamblerg, Staatsoper, Lucia Aliberti repeats her much preised performance in the title role of Rigoletto. The cast also includes Francisco Araiza and Léo Nucci. Don Carlos has a particularly strong east with Linand her Nucci. Den Carlos has a particularly strong east with Linda Piech, Nuclai Chiamov, Gacomo Aragall and Giorgio Zacanaro. Der Fliegende Holländer, in Waland Wagnar's production, has Carmen Reppel, Robert Hale and Harald Strong (35 Il 51).

Bome, Tentro dell'Opera: Three ballets to music by the Sicilian composer Franco Maunino danced by the Opera Ballet Company, conducted by Alberto Venture (46 17 55).

Milea: Testro Liricu Budolf Nursyev's ballet, Don Chisciotte, to music by Ludwig Minkus; Three Ballets: Balanchine's Serenade to Tschalkovsky's music, Bolero by Maurice Bejart, wift the splendid Luciana Savignano, and Lula – choraography by John Butler to music by Alban Berg, dunced by Carla Fracel, Cheorghe lancu and Ornella Costalonga. (36 84 18).

orghe Ianen and Ornella Costalou-ga. (86 84 18).

Illian, Teatro Alla Scala: Giuseppe Pa-tane conducts Paccint's Il Tabarro directed by Sylvano Bussotti, with Recorora Jankovic, Milena Pauli, Piero Cappuccili, and Nicola Martin-ucci, and Franco Zeffirelli's produc-tion of I Pagliacci, with Daniela Des-si, Jose Carreras, William Matteu-zi, John Rawnsley and Angelo Rou-tion of I Capuleti e I Montecchi di-rected, and with scenery and co-tumes by Pier Luigi Pizzi, conducted by Riccardo Muti, with June Ander-Frankfurt, Opera: Das Rheingold, Die Walkire and Götterdämmerung, produced by Ruth Berghaus, one of the brighest Frankfurt successes of recent seasons with Sandra Walker, Gall Gilmore, Wolfging Probst,

and claire Fowell, darker and more dramatic of voice, brought a fine, tense line to the important alto part. Reliable, if sometimes four-square, support tame from William Rendell and Peter Savidge, the tener and bass.

Heinz Zednik, Adalbert Weller, Catarina Ligendze, Helena Doese, Walter Raffeiner, William Cochran and Manfred Schenk, conducted by Michael Gislen. Ein Maskenball has Mara Zampieri as Amella and Luiz Lina in the pent of Riccardo. Also in repertory: Orpheus in der Unterwelt and Die Entführung aus dem Serail. (2 56 21).

Washington and Osiavo di Credico (36 43 34).

Baliet performances and work and Die Entführung aus dem Serail. (2 56 21).

Washington and Osiavo di Credico (36 43 34).

Baliet performances and work and bie Entführung aus dem Serail. (2 56 21).

Washington and Osiavo di Credico (36 43 34).

Baliet Jeriko dell'Operat Three ballets to music by the Sicilian composer Franco Mamnino danced by the Opera Ballet Company, conducted by Albarta (16 17 55). VEIGHA

instroper: Dephnis and Chlor; the Firebird; Rusalka conducted by Neumann with Benackova-Cap, Randova, Sasaki, Sima, Hinterneler (51 444/26 55).
Velksoper, Der Mantel; Der Betielstudent; Hoffmann's Erzilhlungen; Der Operabalt; Die Csardesfürstin (51 444/26 57). NEW YORK

City Context: Paul Taylor Dance Com-pany includes revivals of Dust, Im-ages, Polaris, and Profiles along with a new work choreographed for the first time by Mr Taylor to Mo-gart. Ends May 17, 55th e. of 7th Av (246 8360). New York City Opera: remains the same, Ends April 28.

Joffrey Ballet (Opera House): Mixed programme including Kettentanz, Round of Angels and Light Rain. Home of Angus and 14gm sam.
Ends April 25. Kennedy Center
(154 3770).
Weshington Bellet (Eisenhouser): The
Third Stage. Unknown Territory
and Fives included in the mixed rep-

TOKYO

TOKYO

La Tragédie de Carmen; Peter Brook's renterned original production. The Peter Brook Company directed by Brook has been chosen to open Tokyo's newest theatre, the Ginza Satson. By eliminating the usual operafillers and distractions, concentrating on the main characters and convincing acting and relegating the (coductor-less) orchestra offstage. Peter Brook's version ensures that nothing interferes with the drama and realizations distractions and realizations. (coductor-less) orchestra offstage. Peter Brook's version ensures that nothing interferes with the drama and realism. In the five years during which this Carmen has been seen in Europe and the US, Japan has campaigned for its performance here. But Brook rejected every suggested venus. This unlikely modern theatre was accepted because of its flexibility. The newest cultural jewel of the Seibu Group is so deceptively converted into an arema space, complete with red sand floor and plain high walls that it has been made to look like Brook's Paris base, the Jamed, gutted Thiblitre des Bouffes. Other innovations include the civilised 7.30 (8.00 at weekends) start and restaurants for after-theatre dining. Ginza Saison Theatre (535 6356; 930 6360).

Dishawan Classical Deace celebratory performances marking 15th anniversary of reversion to Japan of these southerly islands formerly known as the kingdom of Ryukyu. Okinawa possesses a vibrant and rich culture different from the mainland. In olden days artists receiving

land. In olden days artists receiving royal patronage ensured the preservation of these Ryukyu classical dances. Haiyuza Thesira. Roppongi (Wed, Thur). (237 9889). Domingo at Wembley Placido Domingo will give a concert at the Wembley Arena

operatic arias, music from Spain, operatic and popular songs. Domingo, who is giving his services free, will be joined by the English Chamber Orchestra and supporting artists artists.

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FINANCIALTIMES

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Tuesday April 21 1987

Politics of unemployment

THE GOVERNMENT is employment numbers. It is as naturally delighted that the misleading for the Government strong downward trend in the localin that such a fall reflects unemployment figures which the better performance of the first appeared last September economy as it is for the Opposite has now been maintained for has now been maintained for a score recommand of the economy as it is for the Opposition to claim that better administration accelerating. The Opposition is are simply devices to massage equally naturally trained. equally naturally trying to question the figures, and it has a good deal of learned support in its efforts.

the economy is performing, or whether they or their children really have a better chance of finding a job, are distinctly short of applitical information. Since the analysis is a bit laborious, it is worth stating a tentative conclusion at the start:
the most recent trends are
indeed encouraging, but the
improvement over the past year

improvement over the past year seems strongly overstated.

The official figures in fact give some clear support to the Government's critics. They show that the employed labour force has risen by 176,000 in the past year. This is a very small growth in percentage terms—about two-thirds of 1 per cent—a reflection of the rise in productivity which is the bright side of the employment problem.

more significantly, the figure is almost the same as the growth of the working-age population, once allowance is made for the steady growth of the number of people with two jobs. On the face of it, one would expect that, if the working-age population and the working population grow by the same number, unemployment should be little changed.

Misleading claims

Yet the official figures show a fall of 156,000 in the year. There clearly is an element of optical illusion about the appar-

fectly legitimate reasons for this. Manufacturing industry, which has achieved a productivity improvement of 6 per cent in the past year, is still shedding labour, and often does so through early retirement. There are good reasons, too, for tightening up on the rules of entitlement to benefit; and the growth of official schemes to help the unemployed to acquire new skills is a very positive step.

retired, or in training or not case for more vigorous short-seeking work, reduce the up- term measures.

the was easier to make that charge against some of the Government's earlier changes in the methods of compiling the statistics; but the new methods have now been in place for some time, and do not affect the trend of recent months. trend of recent months.

It can also be urged in the Government's defence that the rise in unemployment during its whole term of office is to some extent overstated in the official figures. The shift from manufacturing to services has accepted opportunities for

working were not previously part of the labour force; the proportion of the population of working age which would like to work—the participation rate — has risen strongly in recent years, and far outpaced the

created opportunities for women while it has destroyed

Aging population

The other fact which stands out from the figures is that the future growth of manufacturing is unlikely to solve the problem, even on the most optimistic assumptions. Productivity is rising for a compelling reason: the necessity to remain competitive with the newly industrialised countries, where soppistication is rising fast and warrs remain very low. British wages remain very low. British manufacture is booming at pre-sent, but labour is still being

optical illusion about the apparent improvement over the year — a considerable rise in the number of people who are neither working, nor classified as unemployed.

Before the Government's critics cry "Chest" it must be pointed out that there are perfectly legitimate reasons for this. Manufacturing industry, advention will have an effect of the promised improvement in training and the promised improvement in the promise the promised improvement in education will have an effect only in the very long run.

For the shorter term, the Government can either accept the advice of such friendly critics as the Confederation of British Industry, and strive to put some of the unemployed to work on worthwhile construction and maintenance projects; or it can wait for time to work a cure. That will happen in a few years even if the economy grows no fastar, because the population will be growing older. There is a compelling

Refugee camps in **Hong Kong**

homelands to seek sanctuary in to international opinion. It is more sympathetic surroundings not comparable to US border are a social phenomenon as old patrols sending economic refuses civilisation itself. Yet rarely gees back to Mexico.

Nor is it acceptable to keep when interpretional heatility to refuse control unit determine. can there have been a time when international hostility to the resettlement of refugees is as widespread as it is today. This is due partly to a general confusion about refugees in particular and immigration in general, partly to widespread anxiety about competition for jobs and resources at a time of high unemployment in much of the developed free world.

A particularly delicate prob-lem has arisen in the British Crown colony of Hong Kong where about 8,000 refugees, mainly Vietnamese, are held in closed camps. These camps are a blot on Britain's recent colonial record; as a rule only some criminals have their movement forcibly restrained movement forcibly restrained for long periods, as well as those suffering from illnesses which require them to be restrained for their own or middle safety. public safety.

Uncertain fate

But the situation in Hong Kong is exceptionally complex. First, the acceptance of Viet-namese refugees, who mainly arrive after long and dangerous passages in barely seaworthy busis, causes great local resent-ment among the Hong Kong

Illegal refugees caught crossing into the overcrowded colony from China are promptly repatriated even if they have have close relatives legally settled in Hong Kong. This policy, however harsh, cannot be changed as the Government is in the sensitive transition period leading up to the return of Hong Kong to Chinese con-

trol in 1997. Second, it is far from clear how many of the Vietnamese are political rather than economic refugees, fleeing not an oppressive political climate but one of the world's least success-

ful economies.

It is impossible to be sure about the political situation within Vietnam. The idea of repatriation to an uncertain fate of refugees who have risked their lives to get out would be anonth.

refugees cooped up in detention camps for periods which grow longer as the free world's doors increasingly slam shut to foreigners. Some young children in these camps have known no other life. They are growing up in an atmosphere of adult idleness and despair, in marked con-trast to their countrymen who have been resettled and have usually proved themselves dil-gent, industrious and economi-cally self-reliant.

Better chance

Britain needs to take the lead in solving this particular problem once and for all and to abandon the forlorn hope that the camps' existence will act as a deterrent to future refugees.

refugees.

There is no better time for an initiative than the start of the new governor's administration. Sir David Wilson, sworn in earlier this month as the colony's 27th governor, has many delicate problems to tackle without the refugee

camps.
The British Government in London should accept a sub-stantial number of the camps' residents this year—say at least a quarter. But before making any announcement it should use its best offices to persuade other friendly nations, inside and outside the EEC, to support Britain's lead by each taking a significant but smaller number of refugees. The US, Canada and Australia, which have been consistently generous in their acceptance of these refugees, could presumably be relied on to take some more. In this way the stain of the camps could be removed quickly and new arrivals would have a better chance of being resettled quickly. The British Government and Sir David should then together resolve

NEW phase in the history of Britain's troubled Export Credits Guarantee Department (ECGD) opens to-day when Mr Malcolm Stephens, who has been head of export finance at Barclays Bank for the last five years, takes over as chief executive.

The first outsider to be appointed to the top job at Britain's official export insurer, Britain's official export insurer, he is taking over the reins at a time of growing losses and shrinking market share.

Hopes are riding high that Mr Stephens will be able to reverse both these trends. Yet exporters and bankers say he faces an uphill struggle as politicians and government officials tussle over the department's future.

ment's future. In one sense, the problems facing the ECGD are no more than those facing many staterun institutions compelled to cut their costs during the Thatcher era. But in the

Thatcher era. But in the ECGD's case, the difficulties have been more acute because of the tough market in which it has had to operate.

Founded in 1919, its role has always been to support British exporters through the provision of insurance services guaranteeing that they will be paid for what they sell. The service can also provide extension of guarantees on bank loans taken out by exporters or their customers. The ECGD charges a premium that is the basis of its income. hasis of its income.

basis of its income.

Since before the war the ECGD has lived with an unwritten rule that it must operate at no net cost to the Exchequer. Until a few years ago it managed to meet this objective, but now, in the backwash of the world debt crisis, its losses have coared provokits losses have soared, provok-ing fleres debate about its

The department has forecast that its accumulated borrowing from central government will hit \$35m by the end of the decade. At the same time the share of Britain's non-oil exports which it insures fell to just 23.3 per cent as of March last year, compared with 38.2 per cent 10 years ago.

The ECGD claims that the worst in terms of losses is now over. Most of its old bad business is exposed as such and business entered into in the The department has forecast business is exposed as such and business entered into in the last couple of years should be made to pay its way. Under pressure from the Government, it has begun to adopt a more commercial approach to business in an attempt to rebuild its market share. "The old 'take-it-or-leave-it' approach has some." a appleaman says.

'take it or leave it' approach has gone," a spokesman says, and a range of new insurance products is being considered.

Yet exporters complain that the ECGD is still slow to respond to their needs, rigid in applying its insurance guide lines and too cautious about providing cover for difficult markets.

There is a vicious circle, says one industrialist. As government pressure mounts for the department to cover its costs, its premiums rise for good markets as well as bad, the ECGD becomes uncompetitive, the market shrinks and premiums have to rise again.

Bankers and exporters say the key to success for Mr Stephens will lie in his ability

BRITAIN'S EXPORT CREDITS GUARANTEE DEPARTMENT

				GU	ARA	NTI	EL
Pleastici year	Total Inchess Inches	Percentage of UK non-off expects inversel	Promises Income	Claims paid Em	Recoveries	Reserves	Amount at stek
1976/77	11.728	38.2	93.8	63.1	5m 27.1	£m 342.8	£ m . 14,36
1977/78	12,940	35.7	102.8	94.2	26.7	389.6	15,33
1978/79	14,515	35.5	108.0	133.6	43.7	466.9	15.82
1979/80	18,235	33.5	151.8	263.8 -	98.6	491.7	17.98
1980/81	17,048	35.3	152.0	290.5	80.6	500.9	19,30
1981/82	17,502	32.1	236.3	303.5	.79.7	668.4	25,53
1982/83.	19,090	33.9	344.2	584.1	103.6	862.5	32,02
1963/84	17,706	29.6	166.9	674.3	132.7	610.3	32,12
1984/85	17,122	25.3	166.3	848.9	· 327.3	400.3	32,09
1985/86	15,672 .	23.3	175.5	. 697.5 ^	202.8	456.7	27,66



Time to cut its losses

By Peter Montagnon

forced to enter bad markets, at commercial banks on the loans the behest of government, it guarantees. And, for the because the private sector will first time, it is considering not touch them.

Mr Jack Gill, the laconic Lancastrian who retired at the end of March after a four-year stint as ECGD chief executive, has been described in the enport finance market as competent and sympathetic but lacking in the leadership necessary to resolve this dilemma.

Many schnodledes however.

Many acknowledge, however, that Mr Gill, a career civil ser-vant, faced a very difficult task, "Jack was put in an impossible position at a time when all the problems were coming out of the woodwork," says Mr Campbell Dunford, chairman of the British Export Houses Association. "Morale was crumbling; the American was problem."

ciation. "Morale was crumbling; the department was under investigation by government departments that hitherto had shown no interest; the department was being ridden rough shod over by the Treasury. He has done a damage limitation job very effectively."

The question now is whether Mr Stephens, 49, will fare much better in restoring a sense of purpose to an organisation that for many years has suffered from a sense of drift. In his favour are two important factors. The first is that his appointment, announced in March, came with the Prime Minister's blessing. The second is that, although he comes from outside the organisation, he did outside the organisation, he did work for it for 17 years before going to Barcleys and he knows the business of export finance

To some degree the ground-work has been done. Under Mr Gill, the department was already working on innovations that would mark an important break with tradition. the key to success for Mr Stephens will lie in his ability Among these is the idea that, to convince government that for a premium commensurate was mainly with low-risk clients was mainly with low-risk clients was mainly with low-risk clients with the international capital Glark. Trade Minister, says he the for a premium commensurate was mainly with low-risk clients with the international capital Glark. Trade Minister, says he the for a premium commensurate was mainly with low-risk clients with the international capital Glark. Trade Minister, says he the Eresury was not entirely with the international capital markets to make cheap finance available to exporters.

For its medium-term credit control of the ECGD has being a pointment. It would have a preferred a hatchet man, rather formance-linked pay, although the missrance control of the capital control of the capital control of the surface was a specific lingers that the convince government that is to fulfil its inherent conflict cannot be with the risk, the ECGD would be exporters.

For its medium-term credit formance-linked pay, although the missrance conventional approach, whereby it will only lend its guarantee battle were fought and won, or criteria be changed? That's Mr Stephens's battle. If he fails, the ECGD has a profound effect."

anching out into new forms of financial instrument, offering guarantees on commercial bank that are discounted on the grow-ing a forfait market, which trades in fixed rate export

who has been unwilling to comment publicly in any detail on his plans for the ECGD, believes the department should build on this to become a vigorous competitor with the private sector export insurance market, centred on Lloyd's, to which the heat butterers is

Competition with the private market will inevitably compress the premiums the ECGD can charge. Mr Stephens apparently believes that it is all right if the business is profitable in its own right but not if premium income is also expected to cover losses in difficult markets, which the ECGD is forced to

According to Mr. Stephen Syrett, head of export finance at Morgan Grenfell, the ECGD could learn from some of the Continental export credit agen-cies, such as NCM in Holland and Hermes in Germany, which operate as private insurers who

in getting the right mix of international consensus under some of the senior staff within premium income and insurance the Organisation for Economic the organisation may resent his portfolio risk. for companies doing ness in low-risk markets like The best result would be achieved if, as is sometimes the case in Italian export finance, the ECGD would allow its guarantee to be attached to loans at free-market rates of

selling to countries like Malaysia, India and China, we

already say 'don't assume that (official) export credits are

The vicious circle: pressure mounts to cover costs, premiums rise, the ECGD becomes uncompetitive,

the market shrinks, premiums have to rise again also create new opportunities for itself in export insurance.

"traditionally the ECGD representationally the ECGD representation of the so-called total immover approach to export insurance, whereby it insisted on providing cover for a company's entire export tumover anywhere in the world. That meant premium rates were high because they had to cover bad risks as well as good. Companies whose export business

But this system sits bedly on an institution that remains constitutionally an arm of government. Mr Stephens is, however, expected to insist that ministers arknowledge the con-sequences of forcing the ECGD to provide insurance cover on non-commercial terms as part of the strategic support it is expected to provide for British exports.

Beyond that, many bankers believe that the department

ment. United their counterparts in commercial banks, ECGD officials have little incentive to perform. Often underpaid, they have no specific reason to remain in the office late at night to try to solve a problem.

because he was able to negotiate a larger salary than the £43,500 at which the job was originally advertised. The appointment of an outsider has blocked inside promotion and that may make some of them less willing to play along.

The problems facing the ECGD are not unique. All export credit agencies have suffered from the recession and are having to look at ways to adapt. But in Britain, where the figures are more transparent the figures are more transparent than in other countries and where the accent has been on cutting cost to government, the anguish has been more public than anywhere else. And it is in his relations with government that Mr Stephens could encounter the most difficulty.

According to Mr Clark, the Department of Trade and Industry is reasonably sympathetic. "I expect Mr Stephens to continue with measures towards making the ECGD more efficient. I don't expect him to do any more than serve the do any more than serve the disciplines which are imposed by its objective to try and break even. We need the ECGD even. We need the ECGD because there are parts that the private sector simply won't

By contrast, relations with the Treasury could be rough, "The Chancellor does not understand the export business," says Mr Dunford, who complains that the Treasury is too concerned with the year-on-year results and does not understand that the insurance lovel. stand that the insurance busi-ness requires a longer-term

In some parts of the expor world the suspicion lingers that

Barclays banks at dawn

Bankers like to boast that in-ternational finance lts become a 24-hours-e-day business, thanks to technology and mar-ket link-ups.

But while Barclays has been

But while Barclays has been putting together its pioneering international share issue it has also found that such a project can create unusual problems—quite apart from institutions grumbling in London at the size of the offering.

Barclays intends to sall about £100m worth of shares in Tokyo, and as much again in

Tokyo, and as much again in Tokyo, and as much again in New York. But to comply with the rules of the London, Tokyo, and New York, stock exchanges, it had to announce the issues when all three markets were

"As you can imagine, there are very few moments of the day when you can do this sort of thing," says Humphrey Norrington, the executive director of overseas operations, who is master-minding the deal from Loudon. The biggest "window" occurs between the closure of New



"We're trying to set up a Perfectly Ordinary Section within the Labour Party"

Men and Matters

opened at 9 am.

It all worked well. But that is only half the job.

Barclays will have to go through the whole exercise again in a month's time to price the deal. Again, this will be done as the Tokyo market shuts so that the news is ready for the start of trading in London.

Small wonder that Norrington says getting the deal together has at times been "murderous."

Homely stamp

One of the island of Jersey's many resident millionaires has been singled out for special re-

cognition.

His new house is featured on a stamp being issued by the island authorities this week.

As one of three stamp designs for the Europa 87 modern art and architecture theme Jersey has chosen the futuristic home built at a cost of £1.5m by Ron Hickman. Ron Hickman. Hickman reached millionaire

status by inventing the enormously successful Black and Decker Workmate bench (sales now topping 20m).
He retired to Jersey with his wife Helen ten years ago, and proceeded to put every gadget that his fertile mind could conceive into his "house for our time," called Villa Devereux.

Roofs running from the apen right down to the greater the greater that the greater than right down to the ground mask hope to persuade other car the true size of the house. It makers to help conserve the

York and the opening of Tokyo.
But that is in the middle of the night in London. Instead, Barclays opted for the shorter gap between the closure of Tokyo and the opening of London — around the British breakfast time.

After the Tokyo market shut, Barclays filed the documents with the Japanese authorities at 5.30 pm local time, and then raced to get the announcement out in London at about 8.45 am local time before the market opened at 9 am.

It all worked well But that is only half the job.

Barclays will have to go through the whole exercise again in a month's time to price

Now that there is little or nothing more he can do to the house. Hickman has been amusing himself designing a new road system for Jersey's capital St Helier, which he is offering to the authorities. offering to the authorities.

Fat cats

Jaguar is to sayer a debt to nature by earmarking some of its profits to the jungle cat from which a has taken its

Together with its US and Canadian subsidiaries the British commaker will donate £50,000 over the next three years to help the World Wildlife Fund set up the world's first jaguar preserve in the central American country of Belize.

Commercial logging has destroyed much of the jaguar's natural habitat in south and central America. The 150-square-mile Cockscomb reserve in Belize, which will be developed with the car firm's help, has the highest-known concentration of laguars in that country. The World Wildlife Fund's ful for the early warning.
US and Canadian branches now

animals and birds after which their models are named. The congar, fox, and eagle are among species which stand to benedit. After Sinclair

Paul Weston, an engineer and

Paul Weston, an engineer and a member of the Institution of Electrical Engineers, tells me he is making good use of some of the redundant stocks of Sinciair C5 electric vehicle parts held by Hoover and others since the car's disastrous debut.

He is incorporating them into what he claims to be, "the cheapest motorised transport in the world."

the world."
Weston has invented an electrically-assisted bicycle in which key parts—the motor, gearbox, and an extra wheel to support the weight of a 12-volt battery—all originated in the

C5. He claims his propulsion system will fit on any bicycle without upsetting its handling characteristics, because of the

ingenious way the small third wheel follows the rear wheel. It is hinged and simply leans into the corners.
He talks of a range of ten miles for a fully-charged battery, and a top speed of 13.5 miles an hour.
His new company, Weston Developments, of New Milton, Hampshire, is selling direct to his part of the state of the selling direct to his part of the selling direct to his bicycle shops at £175 a unit.

Twist and shout

When Tom Clohesy of Shearsoo Lehman arrives in London from New York next month to set up a public relations department, his task, the US invest-ment bank explains in its house journal, will be to "turn news around and shape it to our liking."

Also to "cultivate and edu-cate the Press so that they look favourably upon us."
I suppose we should be grate-

Observer

Chester Barrie?" "Come now, Watson. The man had not been in London long enough to get made-to-measure garments, yet everything about him said, 'Savile Row'. Surely

(from an unpublished

adventure of Mr. Sherlock

"But Holmes, how on

earth did you deduce that

our mysterious visitor

acquired his wardrobe

ready-to-wear - and from

you observed the hand-made button holes and the natural horn buttons? The precision of the stitching indicated skilled hands - using pure silk thread, I fancy. And there was the unmistakeable effect of hand-pressing with the heavy gas-iron"

"So Chester Barrie showed their hand?" "Excellent, Watson. Like me, they have their

methods".

The Case of

the Tailor's Hands

SAVILE ROW LONDON

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INTERVIEW

Edward Mortimer talks to Ernest Gellner, interpreter of the Islamic world

Scholar of the holy war

scholar who actually thinks he has the answer. Ernest Gellner is probably still more widely thought of as a philosopher— author of the classic attack on author of the classic attack on Oxford linguistic philosophy, Words and Things — than as an anthropologist (though he now holds the chair at Can-bridge) or as belonging to the sociology department (which he did for 30 years at the London School of Economics).

PERSONAL FILE 1975 Born Paris of Czech-lewish parents; educated Prague English Grammar School

In fact, he claims always to 1962 Professor of Philosophy at

West has been baffled by the phenomenon of resurgent Islam. How has this one religion been able to reassert itself so spectacularly and uncompromisingly in politics in an age which elsewhere has witnessed a decline both in personal religious belief and in the role played by religious ideas and institutions in society at large?

The question is so often asked that traditional Islamic society was governed by a perpetual interaction between urban and nomadic culture. In the towns, the faith was defined by the ulama (men of learn-for a PhD in anthropology, Gallner took it upon himself to challenge the prevailing philosophical orthodoxy of the day.

But he found a crucial ally.

"I'd written one of two articles on those lines, and out of these I got an invitation from asked that it seems surprising more attention has not been paid to the ideas of one British scholar who actually thinks he has the wrone attention that the surprise of the law. Among the nomadic tribes it was based on veneration for local sainty who acted as mediators in tribal fends and arbitens of tribal custom. Yet the tribesmen were vaguely aware that the scholarly version of Islam was "purer" and more surprising more attention has not been paid to the ideas of one British scholar who actually thinks he

authentic.

The tribes themselves formed a "segmentary" society, with no state as such, each tribesman relying on the solidarity of his kin-group for protection. The towns by contrast needed strong government, both to maintain internal order and to protect them against the tribes; and this was provided by dynasties of tribal origin—"wolves turned sheepdogs." But the dynasties were gradually softened by urban life, and when they became too inefficient and/or oppressive they fell victim to a new invasion of nomads, inspired by they fell victim to a new in-vasion of nomads, inspired by an "exceptional preachef" who denounced "all at once, the laxity and backsliding at the centre, the ignorance of the tribeamen and the heterodoxy of the normal, petty, humdrum, religious attendants."

But, says Gellner, with the arrival of the modern age "the and where people with a penchant and ability for thinking and ability for thinking and is unrepentant in his belief that the saw it as a retreat from the philosophy was that he saw it as a retreat from the philosophy was that he saw it as an entirely negative book and it is unrepentant in his detailed fieldwork in the surpose of which was to demonstrate that the world have something to say about the world, he thinks about the world. As he readily should have something to say about the world, he thinks about the world. As he readily should have something to say about the world, he thinks about the world. As he readily should have something to say about the world, he thinks about the world. As he readily should have something to say about the world, he thinks about the world. As he readily should have something to say about the world, he thinks about the world he was a period which calls for the social and political needs of the period of insertialisation or development sought to arrivable in part from the sought to arrival of the modern age "the swing pendulum becomes unhinged." Modernity "means, first of all effective centralisation and so the end or decline serior and so the end or decline of tribulism," and with it comes a definitive victory of the urban "scripturalist" is laim over the "tribal and the turban over



This, Gellner believes, explains how laism has so successfully resisted the secularisation, or loss of "political clout," which has affected all the other world religions, and how in Iran it has even produced "a specessful revolution against a regime which was stinking with money and had a totally undefeated, well-drilled and well-equipped army—an extraordinary achievement which has upset all the theories of revolution." Islam, he points out, has "a low content of magic and absurd beliefs; it's got a low content of magic aither spitting at your own past

and being a westerniser, or in-venting spurious local traditions and idealising the moutik" (like Toistoy), at the price of economic and military weak-

West know how to respond to, or cope with, the militancy we encounter in the Islamic world?

"Well, I think it's always bet-"Well, I think it's always better to understand, but no — not at a sort of micro-level. I don't think you can deduce from this understanding whether or not you should bomb Benghazi or Tripoli, or whether you should land in Belrut.

So do we have to accept Ayatollah Khomeini—to choose an obvious example — as the very model of a modern political leader? "Well, he is and he isn't. I mean obviously personally he isn't." Yet Gellner does see Khomeini as modernising Shlism by making it more like Sunni Islam—downplaying

like Sunni Islam—downplaying its personal and mystical elements, emphasising the rule of law (divine, not man-made, of course), even making Iran a

republic.

But, I object, is there nothing unmodern about cutting off hands and other such provisions of the "divine" law?

"Oh," he replies disconcertingly, "that's all right. I mean, it's not nice, but that in itself—I don't think there's anything unmodern about it." Under presure to make a valued judge-

sure to make a valued judge-ment, he admits to feeling "the usual gut reaction that anybody else has," and that in the last else has," and that in the last resort he would prefer the Shah's régime to Khomeini's simply hecause "far fewer people were killed and tor-tured." But, he insists, his personal feelings on the sub-ject are "not terribly interesting — I just try to understand."

Then should Islam be regarded as an expansionist force or not? "Well, they're certainly

garded as an expansionist force or not? "Well, they're certainly tryins—spending a lot of money—but there's no evidence, except in Black Africa, that they're having any success. Within Islam the puritanical wing is probably spreading, but I shouldn't have thought the heartland Moslem states are genuinely expansionist."

My refuctance to accept the equation of Islam and modernity reminds him of the outrage he once provoked by expounding the same thesis to the Hindu audience in Jaipur. "They were outraged, because they thought I was saying, when I say 'Islam is modern,' that Islam is a version of the enlightenment. Well, I don't say that. It's theoretic, rigid—all those things, But the enlightenment was a kind of optimistic forecast of what modernity would be. If you take an icy, cold-eyed view of what modernity is, what it requires isn't necessarily what the enlightenment people would have personally liked."

Lombard

When nanny knows best

By Joe Rogaly

you from stepping in front of a speeding truck. If I have a criticism of the Government in this area, it is that it fails to warn us enough. Individualism is not omnipotent: human beings will always depend upon one another to some degree.

The Office of Health Economics, which is financed by the pharmaceutical industry and is not representative of muddlenot representative of muddle-minded de-gooders, is so con-cerned about coronary heart disease (CHD) that it issued a new booklet on the subject last week, prefacing its remarks with the observation that while the spotlight had fallen upon AIDS, "CHD remains the nation's most substantial con-temporary health care problem." It certainly is. It accounts for 28 per cent of all deaths in England and Wales. For middle-aged men it is worse; some 40 per cent of the fatalities among men aged 45 to 64 are among men aged 45 to 64 are due to coronaries.

This kind of statistic puts AIDS in perspective. It probably costs close to \$400m a year for the NHS to treat victims of CHD. The office of Health Economics calculates that the same amount of money would treat 35 times the number of AIDS cases reported since

GOVERNMENT CAN be good 1982. Even if people fall to take for your health. Keep this unnotice of all the warnings the likely proposition in mind as growth in AIDS cases is hardly

for your health. Keep this unlikely proposition in mind as growth in AIDS cases is hardly you brace yourself for the next great Listen to Namy campaign, which is due to start later this week. No, it will not warnings are having an effect, be about AIDS, since that was winter's warning. For spring we are to get Look After Your Heart, which means that we will be back in the comfortable, familiar territory of not smoking too much, eating less of the things we like, and taking more exercise.

Do not be deceived by the tone of my remarks. It is a response to the growing blather against people labelled foodles and others who point out that the ingestion of substance A is more likely to be harmful than the ingestion of substance A is more likely to be harmful than the guzzling of substance B. Such people are at least as well-meaning as anyone who cries "look out" in time to prevent this area, it is that it fails to warn us enough. Individualism beings will always depend upon

applies to other age groups in both countries.

Another OHE-supplied table shows Northern Ireland as the worst of 27 countries ranked according to heart disease deaths, with Scotland the third-worst and England and Wales fifth-worst. Japan comes out best of course, and France best, of course, and France second-best.

best, of course, and France second-best.

There seems little doubt that Britain is worst-off because it is so stubbornly resistant to change. This is not universal. The upper classes smoke the fewest cigarettest unskilled manual workers the most. There is an almost uncanny fit between the graph relating smoking to class and the one that plots standard CHD mortality ratios (social class I is hit the least; social class V the most). The other determinants, such as diet and hypertension, are well-documented. The likely response from the Government is a series of health-education programmes. Its efforts should be judged by the amount of energy and perseverance put into them. Simply sneering at nanny is an insufficient response.

Letters to the Editor

Actuaries, politicians and the ordinary man

cessors in what should be a simple world of pension provision was in some way the fault of actuaries, and that expensive actuarial advice would be neces sary in order to resolve the

The difficulties are the creation of laymen tackling

Local taxation

Sir,—I refer to Mr A. H. All-sopp's letter (April 10) about adding to the burden of car tax to fund local authorities.

I am opposed to all standing charges, and prefer a system of pay as you consume. Therefore his otherwise excellent propo-

ns otherwise excellent propo-sals may be better met by allow-ing local authorities to make a levy on petrol and diesel sales. This would mean that a person who is forced to own a car by the absence of public transport yet uses it infrequently is not

of cars

J. de Rivaz, West Town House,

Case of or's Hands

From Mr J. de Rivas

From Mr H. Wynne-Griffith

Sir, — I am an actuary, and I think that, despite their being are few people with the necessaries to my profession. The impression was given that the chaos and confusion caused by this Government and its predecessors in what should be a predecessor in what should be a precedence of the confusion caused by the conf directions, each one claiming to represent the interests of the

> This confusion .. creates an artificial world of legislation into which that poor man is plunged and must seek such advice as he can from wherever advice as he can from wherever H. R. Wynne-Griffth, ha can get it. If that advice is 3 Dulwick Wood Avenue SE19.

From Dr Peter Mitchell .

Sir, — My experiences of teaching and scientific research

teaching and scientific research inside and outside the university system confirm the view of Professor Robert Harkness (April 7), that control by a central University Funding Council would probably do more harm than good to education and research.

If I had allowed my research decisions to be swayed by the central authorities in the 1960s, instead of establishing an independent charitable foundation

with its own research institute

with its own research institute

where the work could be
parsued by those most closely
in touch with events at the fron-

tiers of knowledge — it is very unlikely that the results would have merited the Nobel Prize for Chemistry in 1978.

I agree with Professor Hark-

Control of education

ordinary man.

Profit sharing From the Director of the Industrial Participation

Sir.—I would like to support the CBI in taking up the case against removing exemption from National Insurance con-tributions for all profit-sharing bonuses. This association has for many years encouraged the growth of profit-sharing schemes, and has assisted many Your leader would be better directed at politicians being required to plan better their legislation than at those whose function it is to assist people in interpretion its consequences.

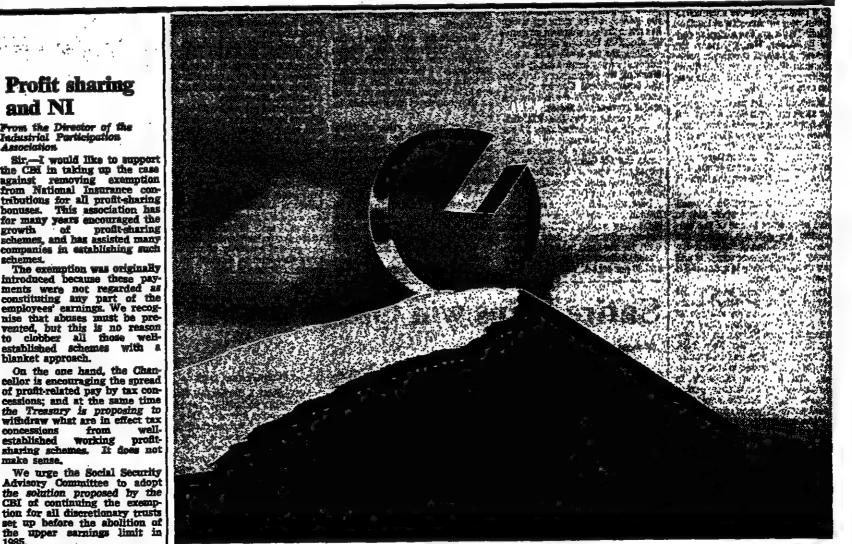
companies in establishing such companies in establishing such schemes.

The exemption was originally introduced because these payments were not regarded as constituting any part of the employees earnings. We recognise that abuses must be prevented, but this is no reason to clother all those well-established schemes with a blanket approach. ness that what we really need is to support groups of intelli-gent and responsible people personally concerned with the development of new knowledge, and let them seize the subtle

blanket approach. on the one hand, the Chan-cellor is encouraging the spread of profit-related pay by tax con-cessions; and at the same time the Treasury is proposing to withdraw what are in effect tax concessions from well-established working profit-sharing schemes. It does not

and let them seize the subtle opportunities for progress about which the central authorities are hardly likely to be aware. But central funding tends to mean central control. To do what Professor Harkness suggests, we need more independent foundations, like the one from which I write, which have the expertise to manage a very cost-effective channelling of make sense. We urge the Social Security Advisory Committee to adopt the solution proposed by the CBI of continuing the exempcost-effective channelling of funds, provided by public-spirited people and organis-ations, into valuable scientific knowledge and understanding. Peter Mitchell. Director of the Glyan Research tion for all discretionary trusts set up before the abolition of the upper samings limit in

B. C. Stevens. Industrial Participation Assn. 85 Tooley St, SE1.



From the right vantage point, your vistas extend to even distant markets. Let's look them over together.

The application of genetic engineering to milk production

and the second s Sir,—I am intrigued by the is extra issues raised by the use of hours. Bovine Somatotrophin (BSt), some of which were discussed by John Cherrington in his should article (April 7). It may be of into mi interest to your readers to clarify one or two aspects of BSt and its use in milk produc-BSt is potentially the first

large scale application of the fruits of genetic engineering to animal production. In contrast to the steroid hormones which have been banned in beef production in the EEC, BSt is a species specific protein.

These are the fundamentals justifying the claims that, should injected BSt find its way into milk at concentrations over and above the naturally occur-ring levels, it poses no danger to the consumer.

As to its economic impact in

the context of milk sales quotas, there are two potential advan-tages to the milk producer. One is that, with BSt, a given literage of milk may be pro-duced at lower cost. This is because it is secreted by fewer cows which, therefore, in total

Foundation. Glynn Research Institute,

Bodmin, Cornwall,

. It is no longer possible to It is no longer possible to argue that non-adopters will be hurt because the additional production of adopters drives down the price for all. First, there is no additional production under a well regulated quota system. Second, there is no automatic reduction in price in alternationals like today where circumstances like today where the price of milk is a political instrument with little to do with cost of milk production,

Confusingly, your correspondent goes on to link BSt with possible moves to limit the use species-specific protein.

It has been discovered to be inactive in humans, having been used, without success, to try to treat dwarfism in children. In addition, as a protein, if ingested it will be broken down into its component amino acids by the digestive system. Third, the active "life" cows which, therefore, in total have a lower maintenance feed requirement. Second, the fewer requirement. Second, the fewer requirement labour test about which can, in whether BSt is more or less recommendation of the production costs per tonne of both forage and cereals, is a compulsion for the farmer tainly needs rather more care-

From Professor Allon Buckwell, of BSt injected into an animal to adopt BSt, hence he does not ful analysis than John Cher-Sir,—I am intrigued by the is extremely short, a matter of suffer. rington suggests.

The most important issue raised by the emergence of BSt is whether we are going to turn our backs on the potential cost reductions offered by biotechnology because of our unwillings to accept the farm sector adjustments it requires.

If, as I suspect, we continue to throw unjustifiable regula-tory spanners into the engine of technical progress in agriculture we will increasingly pensitise consumers in this country and create trade barriers against the rest of the world

Allan Buckwell. Professor of Agricultural Economics, Wye College, University of London,

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FINANCIAL TIMES

Tuesday April 21 1987



Paul Hannon on Wall Street

Clouds on horizon for art houses

THE RICH, seriously rich and the obscenely rich - these are the only three categories of people that are playing the highly charged and ference hall about 20 kilometres very expensive art market in the west of Algiers near the Mediterra-

world of art where most people know the price of everything and

Street's seamier side of business is at the applause.

w a rush of takeover deals trying to beat an end-of-year tax deadline. and prices at many art auctions noted to channel their winnings into art as a straightforward investment or as a social entree.

New York now boasts a "power house" of about 50 influential collectors that can make or break an artist's reputation and his/her bank balance. Many of these art patrons have day-to-day contact with the business community emulating a former generation of robber bar-ons that concentrated on building

Mr Charles Saatchi is at the top votee of the art world, his company now offers advertising and profes-sional services to more than 200 of the Fortune 500 companies. If anyone has been able to put spare cash into art because of the largest take-over sprees in US history, it is Charles Saatchi.

The litary of other serious art colctors who might not but an eyelid at spending several million dollars on a painting includes such house Alfred Tauhman, the shopping centre developer, Henry Kravis, the leveraged buyout specialist, Asher Edelman, the legendary Wall Street arbitrageur, and Saul Steinberg, the corporate raider.

when the stock market turns down. prices of paintings are likely to stall briefly before plummeting. There is a growing suspicion that things can-not continue at current levels. For the moment, however, the tone is

It is quite common for a small group of Wall Street whizz kids to head after work to one of the burgeoning art galleries touting the premier exhibition of the latest discovery. Mingling over cocktails and watercolours, money is spent and it is seen to be spent.

On an institutional level, the art market still has the Getty Museum which must spend an average of Sim per week if it is to comply with Inland Revenue Service trust regulations. Although the New York Metropolitan's \$2m annual acquisitions budget (boosted to S8m by private donations), is miniscule in comparison, recent auction performances suggest that the more tradiing the respository of works of art is under threat.

Another factor increasingly cited in the long-term growth of the US art market is the approaching mid-dle age (normally considered the prime art collecting age) of the country's baby boom generation.

In 1979, Citibank established its art advisory service which caters are reportedly prepared to spend at least Sim a year on art purchases.

Some investors, however, are discovering that art for art's sake might be the most sensible dictum after all. A number of financially distressed southern oil men, squeezed by folling crude oil prices, have had to offload costly works of art at bargain basement prices to stay solvent. Others have discovered too late that the top prices they paid were for second-grade works by lesser known artists.

The rich rewards of Wall Street may not be as plentiful as before. The merger boom has shifted its emphasis. Oil and gas restructuring and takeovers - which generate huge fees and profits - are waning. as more banks, spurred on by the easing of interstate banking regulations, are featuring in the merger news. Banking deals are smaller, and seldom exceed \$1bn.

Although the number of merger deals concluded in 1986 increased, the average size of a transaction was smaller. Highly leveraged buyouts and the use of junk bonds have also faded in popularity as a takeover strategy pending congressional attempts to impose new curbs on

HARD LINE EXPECTED FROM FIRST PALESTINE NATIONAL COUNCIL MEETING SINCE 1984

Rival PLO factions are re-united

gan a crucial meeting in Algiers yesterday after squabbling factions of the Palestine Liberation Organisation (PLO) were reconciled in a move likely to push the organisa-

US.

Some of the spoils of last year's nean coast was buoyant, as previously estranged PLO figures greet-takeover activity in the US found their way into the vastly inflated world of art where most people estine National Council (PNC) since

Mr Yasser Arafat, PLO chairman. But there are clouds on the horizon and a post-Boesky reaction to the public acceptability (and probable success) of much of Wall distinct constraints and a traditional headscarf, smiled broadly

not far away. As takeover and him battles change in structure and nature, the potential spoils available to boost the already inflated prices of many New York art houses will front for the Liberation of Palestine (PFLP) who had led opposition to seek a tine (PFLP) who had led opposition to Mr Arafat's attempts to seek a

> talks, four small radical factions were excluded because they de-manded Mr Arafat's dismissal. They belonged to the Palestine Na-tional Salvation Front, the Syrian-sponsored organisation of splinter

opening sessions with that of the Democratic Front for the Liberation of Palestine, both Marxist fac-

At the same time, the PLO lead-At the same time, the FIG condemned

the Fatah General Council faction,
led by the arch-terrorist Mr Abu
Nidal, whom the PLO condemned to death in absentia over a decade ago. Its presence could only be a grave embarrassment to Mr Arafat.

Dr Habash's presence at the PNC neeting, attended by more than 300 delegates, a large number of Arab observers and several hundred journalists was, however, consid-ered vital to PLO reconciliation efforts. Dr Habash heads the second

Mr Arafat had agreed to abrogate the Amman Accord he signed with King Hossein of Jordan in early conciliation among warring PLO

Mr Arafat and King Hussein had pledged to seek a Middle East set-tlement on the basis of UN Security Council resolutions calling on Israel

groups which split from the mainstream PLO and Mr Aratat in 1983. in the 1967 war. The aim of the
the Camp David Arastat in 1983. in the 1967 war. The aim of the
the Camp David Arastat sealing to
the peace treaty with Israel and call

cause acceptance of UN Resolutions 242 and 338 would have implied recognition of Israel's right to exist.

The Accord was also criticised hecause it did not spell out clearly an
independent role for the PLO in

Libya were prominent in efforts to reconcile estranged PLO factions. Moscow is said to have argued that a divided PLO stood no chance of having an effective voice in a pro-

The Soviets have been pushing the idea of an international confer ence, attended by the parties to the ers of the Security Council. dicated support for an interne-nal conference. The US, after first saying it was opposed, now ap-In Israel, there are deep divisions on an international gathering. Mr Yitzhak Shamir, the Prinse Minis-

ster Mr Shimon Peres is in favour.

leadership.
Radicals have long complained shout Mr Arafat's individual approach to running the PLO, his alleast following the plant of the state of leged failure to consult colleagues and his tendency to ignore resolu-tions of the organisation's govern

Rival factions, including princi-ally Mr Arafat's Fatah main-tream and the PFIP appear to have compromised over continuing relations with Egypt. Radical groups urged the severing of ties

Mr Arefat resisted such mes res, but agreed in the end to abide by previous PNC resolutions and those of Arab League summits condemning Egypt's peace treaty with Israel. It will be up to the

take on relations with Cairo.

The PNC is expected to reaffirm a commitment to armed struggle as a means of achieving Palestinian ocements are likely to be more radical in tone than those of the last, held is Amman in November,

The Amman PNC was boycotic by Damascus-based radical groups It was denounced by Syris and off

Nakasone

tax move

the deputy prime minister, con-firmed the Government's flexible attitude on the sales tax, saying that it was ready to accept "a dras-tic revision," even including a change of name of the proposed tax.

vote until an agreement was reached between the LDP and op-position parties, which could mean a willingness to withdraw the legis-

say they will not agree to the pas-sage of the budget until the sales

On Sunday, Mr Shintaro Abe. the

former Japanese foreign minister, flew to Washington as a personal envoy of Mr Nakasone to explain

Baker defends

Continued from Page 1.

with Mr Baker. The Treasury

lapan's latest stimulus plans.

monetary

stance

the Diet (Parliament).

ent would not put the bill to a

opposed

THE LEX COLUMN

Bugs in the system

Gold Price

The price of gold, it is said, is ris ing. It is if you are American, and seven year bear market. Since gold is a commodity priced in dollars, the argument that the value of gold will move in an equal and opposite direction to the international value ing. This is reinforced by the tradi-tional and more visceral argument, that when the dollar is seen to re-tain value in the way that a colan-der holds water, gold is the best

titute as a vessel. The first point may be as durable as fashion. Gold was previously thought to have an adhesive rela-tionship with the oil price, not just ecemse low oil prices meant low inflation, but also because the Arab world is one of the main props of the gold investment market. The failure of the gold price to respond to the collapse of the oil price has ruined charts that go back at least a

The old blanket langing argument for gold - the panic button of the investment world - is still the driving force behind the more speculative surges in the price. So the sudden issuance of about \$500m of gold-linked debt on the Eurobe market over the past week is a clear enough indication that inves-tors are beginning to have their doubts about paper money. Natu-rally they may well be minguided in their neurosis, and indeed the borrowers, being on the other side of the bargains, must believe that they are. But lack of confidence can be

debt market may appear to recog-mise the view held only by the hard-est-line of the gold bulls, that gold is not merely an inert unyielding mass, but a vertiable currency. All the more interesting then, that one of last week's offerors of gold warrants in exchange for cash was a rams in exchange intreast was a government, the Kingdom of Re-gium. But perhaps Belgium was sly-ly attempting to realise what ought to be the dearest wish of a number of European countries to unload part of their massive stock of gold the vaults. In any event it is impos- point of the recent profits on the sible to believe that the Western New York or Tokyo stock ex-

thich is mainly held and produce South Africa and the Soviet by South Africa and the Soviet Union to play a part of any signific-ance in the stabilisation of the in-

Despite the coincidence of rumours of a trade war with renewed interest in gold, it is equally likely that the gold bug is part of the bull market, rather than a hedge against its demise. The same flawed arguments which persuade investors to buy bank abares because that sector has been lagging behind, say, observacenticals, can behind, say, pharmaceuticals, can equally well be applied to gold, giv-en the way it has trailed behind eq-

uities as a whole. For the point about a bull market is precisely that it does not descriminate sufficiently

Anyone who dares to point out that bullion provides no income will be dammed as a mouse rather than a man by the gold pushers. And they may even have a point. The Japanese who are moving into gold are giving up domestic real interest. rates of about 1.5 per cent, or, if they are selling domestic squittes, a yield of about 0.6 per cent. So why not spend £24m on Van Gogh's Sun-flowers, even if it does not produce le yellow petals every year?

And if not actually part of the bull market, these sorts of investments are certainly the fruits of time spent in the equity markets. As gold buils point out tirelessly, it would

changes to go into gold, to buy up whole year's production of the stuff. This is no better and no worse than the weight of money arguments which have become so fashionable case of "never mind the value, fee the size." As a means of divining the right price for the commodity

speculating about what would hap-pen if every one in China bought a Deng Tsao Ping commemorative gold coin.

Yet if portfolio weighting has any force, there will be sustained invest-ment buying of gold. The very out-performance of the equity markets means that the proportion of funds invested in gold must have declined drastically. That does not mean ing it once held. It may very well be does plunge into recession, that companied by deflation than by the high rates of inflation on gold is supposed to thrive.

What is more, there are he which were not available before or during the traumas of the 1970s and early 1989s. It is now possible, via sarry 1808s. It is now possible, via the options and futures market, ef-fectively to hedge equity portfolios. There is also, at least for the UK in-vestor, index-linked government stock. The yield on index-linked has not fallen particularly of late which not fallen particularly of late, which suggests that those UK investors sho are buying gold are doing so at out of pessimism.

If supply and demand meant a much in the gold market as it doe in the oil market, then investor would be looking to sell, and fast. Last year about 4 per cent more gold was produced than was re-quired for industrial purposes. This ncrease is North American and surplus of supply over industrial de surplus or supply over ministrial de-mand will be around 15 per cent. So at the moment gold needs the inves-tor every int as much as the inves-tor needs gold. And virtually every owner of gold ever mined is still above ground, waiting for its price. for paper money: it may not have class, but at least it can be burned.

EEC and US 'losing most of customs duty on express mail'

BY KEVIN BROWN, TRANSPORT CORRESPONDENT IN LONDON

THE US and EEC governments are losing substantial amounts of reve-nue because customs systems can-cials in EEC countries when it was not cope with the requirements of not legally payable. the international express delivery

are also causing long delays to ex-press shipments, and hampering the growth of an industry which has nevertheless achieved an annual worldwide turnover of \$160n. ...

These are the findings of a con-idential survey carried out by Peat, Marwick, the accountancy firm, for the International Courier Conference (ICC), which represents the The survey shows that EEC con-toms officials collected only 27 per-cent of duty payable on express mail items during a 10-month trial, while the US Customs Service col-

lected only 4 per cent, EEC customs officials collected 25 per cent of the value added tax (VAT) due. Peat, Marwick found that the performance of customs services var-led widely among EEC countries. nd collected no duty and no VAT, for instance, while the Netherlands collected 46 per cent of duty and 50 per cent of VAT.

Peat, Marwick conclu trate on high-value packages, and that collection of duty and VAT tends to cause long delays to con-

This is in line with claims by the express companies that strains caused by the rapid growth of the industry have led customs officials eye to low value packages on which The cumulative value of these payments would be substantial:

about 40m express packages are ex-pected to be carried on international routes this year, of which the inestimates about 20 per cent should be liable for duty. The results of the survey will in-

ation Council, the United Nation customs agency, are understood to have reached broad agreement with the ICC on a series of moves to simplify the rules by amending the 30-year-old Kyoto convention, which

committee are said to have been "wabsred down" by a committee of

permanent next week. Peat, Marwick report will provide sufficient evidence of the strains on the system to create a majority in

favour of a return to the original, crease pressure on customs services to agree to modifications of re-

gulations which were largely drawn up before the concast industry was invented.

Officials of the Customs Co-operation Council, which meets in Ottawa in July.

Satire helps win Queen's Award

BY FIONA THOMPSON IN LONDON

tirical television series whose puppets savagely portray royals, politi-cians and pop stars, may displease those at the receiving end of its hu-mour, but the programme is doing the UK's balance of payments a

power of good.

The series, whose puppets represent, among many others, President Ronald Reagan, Queen Rizabeth and Mrs Margaret Thatcher, is watched a factor contribution to Comment of the contribution to Comments and Comment world - a factor contributing to Cen-tral Independent Television of Birmingham being named today as one of 120 British companies to win this year's Queen's awards for ex-port achievement.

It is a record figure, up from 114 last year. Awards to companies for technological achievement are also up, 34 compared with 27 last year. Both high-technology and traditional companies get a good show-

World Weather

SPITTING IMAGE, the British saing in the export awards. So do the world use Paxman engines tirical television series whose puppanies selling rot-proof envelopes, slurry pumps and day-old chicks.

Japan is listed by 52 of the 120 export award winners as a market-place for their products, including three companies producing audio console. The Bridgend, Wales, plant of Sony (UK) fills the classic coalsto-Newcastle role, having recently established markets in Malaysia and Singspore, Japan's own back

Eight GEC subsidiaries win awards, four for technological and four for export achievement. The latter includes Paxman Diesels of £27.5m (\$44.8m) deal to provide 62 high performance engines for US Coastguard cutters, the fast cus-toms patrol boats used in drugs swoops. Forty-nine navies around

Ayala-Abott & Butters of Needhan Market, in Suffolk, specialise in high quality interiors. They re-cently lavishly fitted out the Palace of Congress in Kuwait, keeping 150 UK craftsmen on site for 15 months. Two thousand books of gold leaf were used on the ceiling, 200 bronze doors installed and it took 40 men to carry in the silk and pure wool carpet made in Thailand.

in the technology sector, the Roy-al Signals and Radar Establish-ment, Malvern, shared an award with GEC's English Electric Valve
Company for the development of a
"heat camera", used by fire services
and navies to detect bodies in
smoke and rubble. This sensitive camera was used during the Mexi-can earthquake, the 1985 Putney gas explosion and, most recently, in Zeebruge.

Secretary, auxious to restore sta-bility to the financial markets, is believed to have left that Rir hi and therefore distant

His statement that correct US monetary policy is "quite adequate" lent weight, however, to widespread reports that there has been a vigorous debate within the Fed board of governors over whether or not to tighten asonetary policy to defend the dellar. Mr Peni Voicher, chairman, had indicated that the central hank may have to push up inter-est rates to combat the fall in the

Alfonsin sacks general

Continued from Page 1

After the surrender to President Alfonsin, the rebels' leader claimed in an improvised press conference that We have obtained our objective. We have given an example The President and the politicians inderstood it."

might now attempt to place some limit on the level of responsibility attributable to the junior ranks during the "Dirty War" of the 1970s, either by legislative means stemming from a pact signed by the major political parties at the height of the schelling as by recognitive the the rebellion, or by persuading the courts that such a distinction is po-

est rates to combat the fall in the dellar and a resurgence of higher inflation. But some reports in Washington suggest that Mr. Manuel Johnson, vice chairman, has lined up a 4-3 board majority which agrees with Mr. Baker's view that no change in policy is

in his interview on invaking talevision Mr Baker added that he was satisfied that the recent rise in long-term interest rates and the tightesing of conditions for US mortgage rates was only

Turning to trade kitction with Japan, Mr Baker said that a low-It is thought that the Governmen er dollar was only one part of a "heoed and comprehensive" policy to reduce the US trade deficit. He said that if the dollar declined too far it would harm the irade surplus countries – such as Japan – and prevent them from taking measures to promote fur-ther growth and higher con-

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SECTION II – COMPANIES AND MARKETS

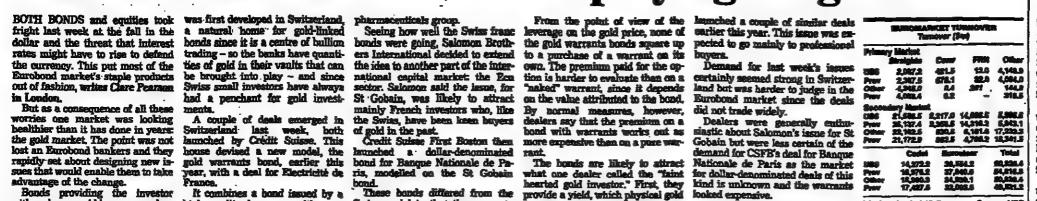
FINANCIAL TIMES

Tuesday April 21 1987



INTERNATIONAL BONDS

Bankers rush to issue deals playing on gold



the gold market. The point was not lost an Eurobond bankers and they reputly set about designing new is such that would enable them to take a play on gold and the play on gold have cropped up now and again in the international.

These honds differed from the purch was not on the bond carrying a warrant to bry should on a straight issue and the mented the bond convertible into gold and convertible into gold and market were variations on the bond market were variations on the bond with warrants. This company and market some special gold markets are gold.

Most of last week's issues in the Bonton with warrants. This company and warrants bond market some special gold market is not separate that it the point was not last mented to cook exceed a new model, the more expensive than on purce was more tended by Crédit Suisse. This the most convertible into gold and the play on gold market is the point was not some convertible into gold and the play on gold warrants bond market early in the bond convertible into gold and market some was unprecedented.

Three kinds have so far been investor special gold warrants bond investor. They also serve the purpose of the depreciation of the dollar against European curves was more traditional gold.

Most of last week's issues in the Bond ontertible into gold and the bond ontertible i

Monsanto increases earnings to \$138m

MONSANTO, the US chemicals which rose to 5248m or \$1.28 a group which acquired G.D. Searle share from \$175m or \$2 cents a year in 1985, yesterday reported net earlier.

Sales rose 10 per cent to \$3.07bm,

to strong customer demand, cost re- The company was beloed both by

Monsanto said demand for prod-ncts containing its Nutra Sweet low and.

This was particularly beneficial to Dow's basic businesses such as strong although shipments during basic plastics, while polystyrene the quarter were below year-ago and low density polyethylene operalevels as customers continued their tions also performed well.

"The quality of our business was excellent," said Mr Paul Oreffice, chairman and chief executive. "All

for nylon and acrylic fibres. ing incom Meanwhile Dow Chemical, the erations.

in the first quarter of 1867, up from the highest quarterly sales performance ever, from \$2.74bn in the The company attributed the rise corresponding 1986 period.

duction programmes, pricing and volume increases for the majority marketing strategies implemented of its products and the improved last year and gains from a weaker pricing environment, the result in turn of a better worldwide industry balance between supply and de-

It said its chemicals, plastics and geographic areas and all segments fibres unit was buoyed by the performed well, he added. Mr Orefstrength of customer demand for a fice highlighted in particular a 77 wide variety of products, especially per cent year-on-year rise in operating nylon and acrylic fibres.

second largest US chemical maker, as expected amounced a strong increase in first-quarter net profits, Schlumberger operations.

EURONOTES AND CREDITS

Several commercial paper programmes waiting in the wings

RISING interest raise, sitting stock markets, concerns about the credit quality of banks: it is a security which might have been put together by a selesman of Eurocommercial peper markets. Recrowers are the fact of cising interest raise, investors, on the other react shading encourages commercial peper markets. Recrowers are the few or three weeks to record at these sales had rison sharply in the last two or three weeks to record at these sales had rison sharply in the last two or three weeks to record at times been a shortage of paper last week for potential investors.

The claims were enganded steptically become peper.

The claims were regarded steptically become the control of the second of the second

MCI reverses losses with 16% revenue rise

BY OUR FINANCIAL STAFF

MCI Communications, the independent long-distance phone group, line costs to an all-time low of 5 per yesterday reported higher first-quarter net income and said it external operating expenses to about

charge and other special items.

MCI said first quarter net rose 25

"We are confident that these cost per cent to \$25m or nine cents a control measures, combined with

share from \$20m or eight cents, on our strategic focus on the commer-an increase in the number of out-cial mathetplace and the growth of standing shares. Revenues rose 16.5 our international and 600 services.

quarter net income and said it enpects better cost controls and the
growth of international services to
result in profits for the full year.
For 1986, MCI reported a net loss
of \$448.4m or \$1.63 a share, which
included a \$585m restructuring levels, it added.

per cent to \$955m from \$819m, the will result in a profitable 1987," is

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16th March, 1987

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UK GILTS

Early election date needed to push yields below 9%

THE UK government bond paint an accurate picture and market has a lot going for it provide a confident backdrop but it is unlikely to fulfil its for calling the election, that potential until the Prime Minister names her election day. ster names her election day.

Last week saw a raft of indicators which painted a bright conomic picture. The Central Statistical Office announced a substantial upward revision in its previous estimate of manufacturing output in the final quarter of last year and January and at the same time a revision in output-based gross domestic product last year.

Manufacturing industry does Manufacturing industry does now seem to be performing very well and is also remaining cost competitive which should underpin exports. A set of figures last Thursday showed that unit labour costs had risen by only 1.0 per cent in the year to February and that, over the same period, productivity in manufacturing industry had risen by 6.9 per cent.

Inflation expectations had already improved since early this year. The decision not to raise excise duties in the Budget coupled with the mortgage rate cut announced in the optimistic aftermath made the Chancellor's forecast of 4 per cent inflation by the end of this year look more than credible.

Fall in jobless

set of figures on the Public Sector Borrowing Requirement in 1985-86, producing a shortfall on target which was even larger than the Chancellor had envisaged at budget time, and boding

well for borrowing this year.

Last but not least, last week's figures for unemployment strongly sugg sted a fall in the official total below 3m in the June 18 announcement. The fact that sections of the press are now talking about that day as a possible election date attests to the political importance that these figures have—whatever has been behind the large declines in the gount.

Apart from all this, onlinion Apart from all this, opinion polls since Mrs Thatcher's Moscow trip have shown a consistently large lead for the Conservative Party. So sure is the market now that these polls

In the face of this barrage of good news, the gilt market last week ended only just over 5 basis points higher and yields remained over 9 per cent. The one remaining trigger to a rally below 9 per cent is now the announcement of an early election if that describ harmer gilts. tion. If that doesn't happen gilts could struggle.

Last week saw the Bank of England unveil its plans for a series of experimental auctions of glits. The final proposals were a mere shadow of the original thinking apparently because the Treasury was not prepared at this stage to countenance any kind of commission or attention. other method of rewarding market-makers for an under-writing commitment which could be identified as an extra

Auction system

It seems likely, however, that a proper competitive US style anction could eventually make funding cheaper and more than cover any extra cost now feared by the Treasury. Whatever the thinking, this series of trial anctions contributes little to the process of change set off by Big Beng. change set off by Big Beng.

However, in innovative spirit, a report published last week by economists at Alex-anders, Laing and Cruickshank furthered the thought process furthered the thought process by coming down firmly in favour of scrapping the tap system and instituting a fully-underwritten auction system coupled with a US style repo market which would increase the gift market's ability to borrow, lend and trade gifts and other fixed-interest securities. This kind of thinking will no doubt be something that the Bank of England will eventually contemplate and put to the Treasury. However the the Treasury. However the experience with auctions suggests that this sort of innovation will be a long time

US MONEY AND CREDIT

Markets in a better frame of mind

US CREDIT markets packed into four days last week the finat rising import prices are kind of dizzy movement that used to occupy months. With the used to occupy months. With the export performance. But this is dollar tumbling against the yen at the start of the week, bond prices slid horribly and the benchmark Treasury long bond was yielding over 8.5 per cent of the working.

The most popular defence is ings for US bonds, the market mow faced with heavy redemptions the trade news to be out of the way.

Smith Barney was telling investors to go into the market on Thursday, despite the dangers rency and bond markets hit likelihood that expectations.

The following are the main the restriction of the weeks.

The following are the main the recy and bond markets hit likelihood that expectations.

The following are the main the weeks.

was yielding over 8.5 per cent by mid-morning last Tuesday.

But the fall ended as dramatically as it began, rates picked up and most yields ended the week before the Good Friday holiday only a little

In this tense stransphere, the long-awaited figures on the US long-awaited figures on the US trade performance in February were an icy blast. The figures showed that a sharp increase in imports widened the trade deficit to \$15.06bm in February, from a revised \$12.27bm in January. The downward revision of January's figures, from \$14.2bm, made the February result seem the more startling and there were all sorts of suggestions that things are not as bad as they seem.

440 basis points in yield avail able to Japanese investors will ing to swap their domestic hold

Futures on foreign state bonds

Exchange Commission has voted to propose allowing the marketing in the US of futures contracts on any highly rated foreign government bonds, AP-DJ reports from Washington.

The SEC decided to seek public comment on a rule proposal that would exempt from registration for purposes of futures trading any foreign debt with a triple A or Double A rating from two nationally recognised rating agencies.

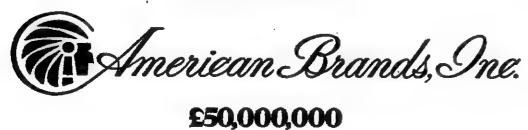
sion proposed allowing US securities firms to buy and sell futures contracts on the debt of France, Australia and New Zealand.

Debt issued by eight other west European countries would west European countries would also qualify. They are Norway, Sweden, Finland, Denmark, West Germany, Austria, Switzer-land and the Notherlands. The SEC already has exempted the debt of Britain, Canada and Japan for purposes of futures trading.

April, 1987

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rock bottom — for last week, at least — at the release of the figures. The yield on the long bond improved steadily from its worst level of 8.52 per cent that morning. There were three main encouragements.

Friday holiday only a little lower.

The markets open this week in a much better frame of mind than for some time, although the performance of the dollar is likely to continue to set the price trend. The exception may be the tax-exempt municipal market, which ended last week with a host of problems to add to the general uncertainty in fixed-interest markets.

On Tuesday, things really did look pretty awful. As the dollar fell to yet another low point against the yen, at Y140.60, it west Germany and Japan fell to yet another low point seemed almost inevitable that further down the path towards the Federal Reserve must recession. He said a "further devaluation would into the markets so as to defend the unfortunate currency. Federal Funds were trading at 6.5 per cent and that was evidence enough for some that the Fed was turning the screw a little.

In this tense stmosphere, the long-awaited figures on the US trade performance in February

tion and thousing starts — that the economy is not growing very fast. In fact, Mr James Miller, the president's budget director, warned on Thorsday that any tightening by the Fed might plunge the country into

recession.

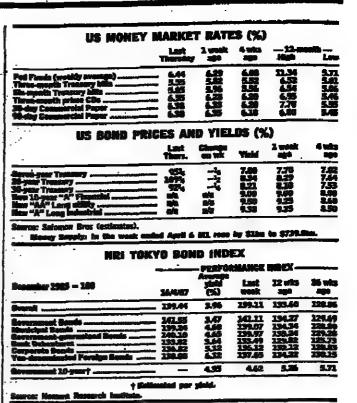
The third was provided by bargain hunters. With up to

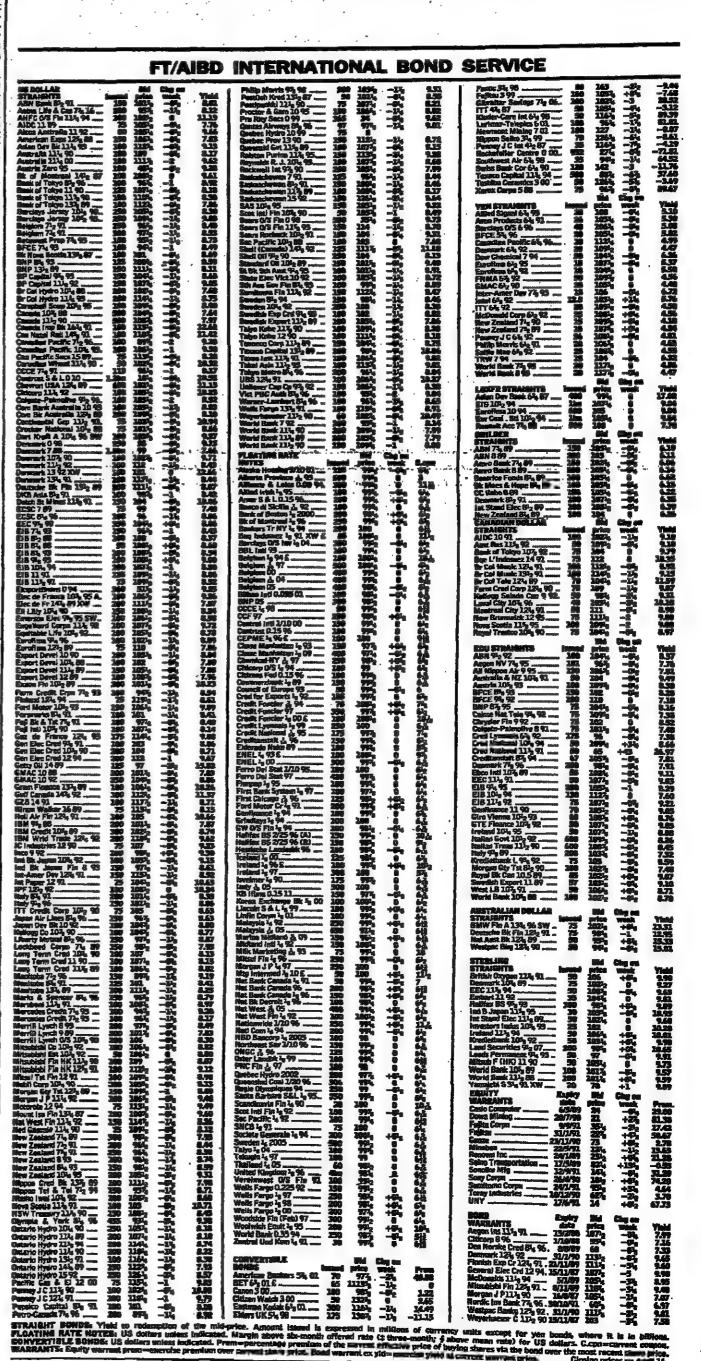
Thursday, despite the dangers from a weaker dollar. "The likelihood that expectations have moved too high on infation and are in the process of moving too high on economic growth appear to create a buying opportunity. There is a good chance that long-term jaterest rates will fall by 100 hasis points or more from this week's peak (8.54 per cent) at some point prior to year end,"
Smith Barney wrote. mates range from 1 per cent to 3.8 per cent. The median of 19 estimates for the GNP deflator

It was particularly keen on the municipal market, which went into free-fall on Monday and ended the week still some 14 points down. The chief problem is that open-ended bond funds, which bought heavily last month when the

First-quarter Gross National Product (due on Thursday at 8.30 am). The median of 19 estimates, surveyed by Money Market Services of Redwood City, California, shows real growth of 2.8 per cent. Essi-

was 3.99 per cent, with esti-mates ranging from 2.4 per cent to 45 per cent. Consumer Price Index in March (due 8.30 am on Friday). Money Market Services' own estimate is for an increase of





This announcement appears as a matter of record only. These Securities have not been registe the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States or to United States persons as part of the distribution,



European Investment Bank

Can. \$138,000,000

9% Notes due 1996

Goldman Sachs International Corp.

Bank of Montreal Capital Markets Limited

Banque Internationale à Luxembourg S.A.

Banque Bruxelles Lambert S.A.

Dominion Securities Inc.

IBJ International Limited

Citicorp Investment Bank Limited

Daiwa Europe Limited

Orion Royal Bank Limited

The Bank of Nova Scotia Group

Banque Indosusz

Deutsche Bank Capital Markets Limited

Generale Bank

Kleinwort Benson Limited

Nomura International Limited

Westpec Banking Corporation

Salomon Brothers International Limited

Union Bank of Switzerland (Securities) Limited

Westdeutsche Landesbank Girozentrale

Toronto Dominion International Limited

McLeod Young Weir International Limited

February, 1987

Prudential-Bache

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Ford Credit Canada Limited

Can. \$75,000,000

9% Guaranteed Notes due January 30, 1992

Unconditionally Guaranteed as to Payment of Principal and Interest by

Ford Motor Credit Company

Goldman Sachs International Corp.

Bank of Montreal Capital Markets Limited

Dalwa Europe Limited

Dominion Securities Inc.

The Bank of Nova Scotia Group

Banque Indosuez

Commerzbank Aktiengesellschaft

Generale Bank

Kredietbank International Group

Prudential-Bache

Société Générale

Westdeutsche Landesbank Girozentrale

Banca del Gottardo

Banque Internationale à Lucambourg S.A.

EBC Amro Bank Limited

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Crédit du Nord

IBJ International Limited The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited

Sumitomo Finance International

Yamaichi International (Europe) Limited Banque Générale du Luxembourg S.A.

Croditanstalt-Bankverein

Norddeutsche Landesbank Girozentrale

Vereins- und Westbank Aktiengesellschaft

February, 1987

This amount amongs as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States or to United States persons as part of the distribution,



Kellogg Salada Canada Inc.

Can. \$50,000,000

9% Guaranteed Notes due January 16, 1992

Unconditionally Guaranteed by

Kellogg Company

Goldman Sachs International Corp.

The Bank of Nova Scotia Group

Banca Manusardi e C.

Chemical Bank International Group

Dalwa Europe Limited Drescher Bank Aktiengesellschaft

Prudential-Bache Securities International

Toronto Dominion International Limited Bank Brussel Lambert N.V.

Lombard, Odier International Underwriters S.A.

Swiss Volksbank

Great Pacific Capital

Bank of Montreel Capital Markets Limited Crédit Lyonnais . Deutsche Benk Capital Markets Limited

Nomura international Limited

Swiss Bank Corporation International Limited

Handelsbank N.W. (Overseas) Limited

Vereins- und Westbank Aktiengesellschaft

M.M. Warburg-Brinckmann, Wirtz & Co.

December, 1986

This announcement appears as a matter of record only. These Securities have not been registered under the United States Securities Act of 1933 and may not be offered, sold or delivered in the United States or to United States persons as part of the distribution,



Nippon Telegraph and **Telephone Corporation**

Can. \$200,000,000

9%% Notes due 1991

Goldman Sachs International Corp.

Daiwa Europe Limited

Algemene Bank Nederland N.V. Banque Paribas Capital Markets Limited

Orion Royal Bank Limited

Salomon Brothers International Limited

Deutsche Bank Capital Markets Limited Generale Bank

Morgan Guaranty Ltd Wood Gundy Inc. Nippon Kangyo Kakumaru (Europe) Limited

Creditanstalt-Bankverein

Nordfinanz Bank

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited Yamaichi International (Europe) Limited Wood Gundy Inc.

Toronto Dominion International Limited

The Nikko Securities Co., (Europe) Ltd.

Sumitomo Trust International Limited

Bank of Tokyo International Limited

Credit Suisse First Boston Limited

DKB International Limited

IBJ International Limited

Prudential-Bache Securius international

Société Générale

Nomura International Limited

S.G. Warburg Securities

Yasuda Trust Europe Limited

October 1966

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Recovery for US oil services group

By Paul Hannon in New York SCHLUMBERGER, the troubled US oil services group, yesterday posted a modest profit for the first-quarter compared with a loss of almost \$2.2bn in the final quarter of 1986.

Although the latest results indicate lower operating costs and firmer prices for some of the group's services, when com-pared with the corresponding three months of 1986, they show the scale of problems facing the group's core business and the sickly state of the US drill-

The recovery amounted to net earnings of \$5m or 2 cents per share compared with \$193m or 66 cents per share in the first three months of last year. Revenues dropped to \$1.09bn from \$1.46bn a year ago. Schlumberger's seismic opera-

tions saw revenues contract by
58 per cent in the US and 38
per cent overseas. Compared
with the last quarter of 1986,
North American revenues improved 6 per cent while overceas business continued to less seas business continued to lose ground with a further 5 per cent fall in revenues. Revenues at Sedco Forez, its drilling services division, plunged 45 per cent against the year earlier level

year earlier level
In early trading on the New
York Stock Exchange, Schlumberger shares dropped \$\frac{2}{3}\$ to

Non-bank bank ruling upheld

THE US Supreme Court has let stand a Federal Appeals Court ruling upholding the Federal Reserve Board's approval for New York-based US Trust to open a bank subsidiary in Florida, AP-DJ reports from Washington.

Wa

which offer some, but not all the services of traditional com-

healthy performance to stepped-up overseas production and other countermeasures against the strong yan. nercial institutions.
The justices refused to hear an appeal by state regulators and Florida officials, who cited a provision of the Federal Bauk of Dubai to Dh 18m capacity at its plants in South Kores, Taiwan and other Asian TDK's overseas sales by as prohibits a bank holding company Act. This prohibits a bank holding company principally operating in other state from acquiring banks in other states without approval of state regulators.

LB per cent as a result of the John 100m to Dh 260m.

National Bank of Dubai to Dh 18m compared with Dh 11m capacity at its plants in South TDK's overseas sales by as none state from acquiring banks in other states without approval of state regulators.

LB per cent as a result of the John 100m to Dh 260m.

National Bank of Dubai compared with Dh 21m Capital Rome of Dubai to Dh 261m to Dh 25m.

National Bank of Dubai compared with Dh 21m Capital results remained largely unchanged from 1985. Profit of Dh 375m. Capital and reserves were the same state Dh 375m. Capital and reserves to Dh 375m. Capital and reserves remained largely unchanged at operating an audio tape plant the dollar in the three months, in Other states without approval of state regulators.

Chase down 28% in first quarter

BY ANATOLE KALETSKY IN NEW YORK

CHASE MANHATTAN, the Chemical and J. P. Morgan, the effects of Brazil and Ecuador, third largest US commercial two other large New York Chase said net interest income lation effects and a previously bank, earned \$104m or \$1.12 a banks which have reported so would have risen by about disclosed one-time charge of \$15m or 5 per cent, in the \$30m connected with cutbacks in Chase's domestic and inter-

two countries on a non-accrual Chemical for putting Brazil on basis reduced the bank's net profits by \$31.4m and \$5.2m Morgan, net income was respectively.

The Latin American problems,

1987, 28 per cent down on the \$144m or \$1.63 net profit a year earlier.

Almost the whole of the decline was due to the downgrading of loans to Brazil and Ecuador. Putting loans to these two countries on a non-accrual the hank's net income effect reported by two countries on a non-accrual the hank's net income effect reported by two countries on a non-accrual to the difference appears to lie in varying tax charges. Chase's non-accruing loans to these two countries on a non-accrual was only \$12m At

Chase's net interest income which have hit all major US was down 6 per cent, on a banks, had a much bigger taxable equivalent basis, to impact on Chase than on \$776m, However, axinding the

The hank's fee and commission income increased by 18 per cent to \$288m and other income grew by 7 per cent to \$140m. The bank said. sion income and other income grew by 7 per cent to \$140m.

Provisions for possible loan losses in the latest quarter were \$160m, some \$30m higher than pany, is asking stockholders to boost its authorised share charge-offs were \$126m, up capital from 200m common shares to 300m.

The parent of Bank of

Provisions for possible loan losses in the latest quarter were \$160m, some \$30m higher than the year before, while not charge-offs were \$126m, up \$12m on a year earlier.

Other operating expenses were 9 per cent higher at \$840m. However, all of the increase in expenses was due to the acquinition of new ross.

Domtar considers bids for former Genstar unit seeks immunity

BY ROBERT GIBBENS IN MONTREAL

DOMTAR, the US pulp and paper, (USS2bn) but retained only Canada building materials and special Trustco Mortgage. Chemicals group, is considering The Quebec government owns 28

ducer, agreed to divest the Las Velumbia Forest Products, now congas plant in agreement with the trolled by Fletcher Challenge of Justice Department. Domitar does New Zealand.

tailing and financial services group, 58 cents a share against CSA8m or bought Genstar for CS2.6bm mine cents year earlier

chemicals group, is considering The Quebec government owns 28 bids for a large gypeum walloard plant at Las Vegas acquired last C\$550m but has temporarily delay-year when it bought Genstar's wallboard business from Imasco, the Higher prices for pulp and news-

NEW INTERNATIONAL BOND ISSUES

not expect to take a loss on the disposal.

B.C. Forest, a large western and castern forest products group, had limasco, the tobacco products, reinst-quarter earnings of C\$32.7m or

US steelmaker from creditors

SHARON STEEL, the 12th largest US steelmarker, has filed for pro-tection from creditors under Chapter 11 of the US Federal bankrupter laws. The company claims it was forced into the action because of pressure from a large creditor.

Sharon is controlled by financia Mr Victor Posner. The company Montreal conglomerate. print in the first quarter brought a Mr Victor Posner. The company Dumtar, a leading wallboard pro- turnaround in profit for British Co- said in documents filed in court in Erie, Pennsysivania, that it was

> cising its right to redeem \$96m of bonds on which Sharon has stopped making payments. Sharon's petition lists the compa-

ny's debts as more than \$700m.

Solid increases by American drug groups

First profit gain in seven

quarters for TDK

FOUR DIVERSIFIED US drug include a \$21m gain from the sale of Unitek Corp, the medison and American Home products unit, and a \$25m provision for the impairment of certain assets.

Mr Richard Gelb, the chairman attributed the strong performance to "balanced growth in both domestic and international growth.

Net profits at the New York based Bristol-Myers rose 20 per cent to a record \$173.9m or \$1.21 a share on sales up 13 per cent to \$1.35hn, also a record. A year earlier, the company reported earnings of \$144.6m (\$1.02 a share) on sales of \$11.9hn.

Figures for the latest quarter

include a \$21m gain from the sale of Unitek Corp, the medisposition from the main from the sale of Unitek Corp, the medisposition from the sales of Unitek Corp, the medisposition in the purchase. Earnings in 1986 \$49.8m (\$1.45 a share) on sales of \$65.5m, against \$71.8m for a special early retirement programme for product withdrawal.

First-quarter sales were \$1bc, the overall positive showing, according to Mr Henry Wendt, also manufacturers the overall positive showing, according to Mr Henry Wendt, by \$216.5m or \$1.45, on sales of \$1.29bn.

Net earnings at the Philaming the overall positive showing, according to Mr Henry Wendt, by \$120 m.

Net earnings at the Philaming the overall positive showing, according to Mr Henry Wendt, by \$216.5m or \$1.45, on sales and the overall positive showing.

Net earnings at the Philaming the overall positive showing according to Mr Henry Wendt, by \$120 m.

Net earnings at the Philaming the overall positive showing according to Mr Henry Wendt, by \$120 m.

Net earnings at the Philaming the overall positive showing according to Mr Henry Wendt, by \$120 m.

Net earnings

Dubai bank results show improvement over 1985

BY ANGELA PIXON IN DURAL

FOUR OF Dubai's six banks bave published results for 1986 and most show an improvement over 1985.

Middle East Bank, which achieved a profit turnround of Dh 107m, was perhaps the most dramatic. In 1985 it suffered losses of Dh 93m but in 1986 the bank had a profit of Dh 14m (\$3.8m). During the year the bank raised its capital hy Dh 100m to Dh 260m. But its magnetic tape divi-aion, which is highly dependent on exports, saw sales fall by LB per cent as a result of the

customer deposits from Dh 15.98bn to Dh 16.8bn, while ons and advances were little changed at Dh 1.29km against Dh 1.24km.

Bank of Oman's profits rose from Dt 40m to Dh 55m. Assets declined from Dh 8.91km to Dh 8.79km, customer deposits reset that the declined from Dh 8.74km to Dh 8.75km, customer deposits

Dh 8.79bn, customer deposits went up from Dh 4.51bn to Dh 4.93bn and Ioans and advances increased from Dh 3.09bn to Dh 3.31bn.

Commercial Bank of Dubai had lower profits of Dh 18m compared with Dh 21m. Capital and reserves went from Dm 251m to Dh 255m, assets remained iscrety unchanged at

	Amount FR.	Michily	Ar. He years	Coupon %	Price	Sock Resper	Offer yield
U.S. POLIARS							2.125
Zandilla Co. 12	40	1992	. 5	21/4	190	Sainte Europa	2.125
Shows Aleminium ¶‡	100	1992	' 6	24	186	Nomera Int.	2.125
Hippon Shekabei KK 📆	88	1992	3	2	100	Nomera int.	2.00
Sharp Corp. ¶‡	200	1952	5	2	169	Monara Int.	2.125
Holasius Elect. Incl. ¶‡	35	1992		244	188 186	Monare let. Seitage Back (Sur)	1.758
Seitum Bank 5	180	2082	15	17/4	186	Houses her few !	2.125
Seeksi B'lding Co. 92 Sekisol Chemical 92	60	1992	<u> </u>	21/0	188	Yamaichi lat. (Bar)	1.879
Service AT	200	1992 2082	16	17h 61/2	198	Mentil Janen	8.500
Alza Corp. 51	75 59	2002 1992		(3-3\4)			
int. Comme Mesonaces (a) BNF Ø1	108	1992 1992	- 5	(3-374)	22.5	Benque Paches CSFB	4.564
	188	1988	•		165.175	BBS (Sees)	6.862
Swedish Export Cr. (h)‡ Bank of China (c)†‡	200	1997	18	Va.	199	Delice Showing	-
ME Trust 15 (d) 11	250	2818	1.59	1/2	198	Daiwa Siegopani Marii Lynch	
	. 298	2010	1.20	72	1 9191	· james a chara	
CANADIAN DOLLARS British Colombia Yul. ‡	198	1994	7	81/2	10114	Maril Lynch	1.256
ABSTRALIAN DOLLARS							
State Sk of Victoria 1	58	1990	3	141/2	101%	Commercipant	13.501
New Stb Wales Trees, Care, 1	198	1992	- 8	1414	10176	County likeWest	13.788
Sestache Bank Fin. 1	198	1998	3	141/4	10114	Boutscho Bk Cap. Mics	13.598
Value ""III	58	1988	3	1874	100%	Trinkous & Burkhardt	18,496
Acure Bank ‡	. 80	1998	3	1414	1911/2	EBC Asses Bunk	13.685
SWISS FRANCS							
Nichiei Co. **¶‡	180	1992	-	1	100	Sign Parisus (Spiese)	1.000
Saitama Bk **\$‡	189	1992	-	*	100	Credit Salogn	0.877
The sing-Burnalt'schaft	10	1995	_	(634)	(199)	Finteniex	
Gelectic Resources #	50	1995	_	174	100	Banque Indesved	
Interface (lux) I	90	1992	· =	(214)	(180)	Warlang Solide	
Polome ** ؇	50	1993	-	1	100	Credit Stricton	3.000
Taiye Stano ** T		1992	. =	(11/4)	:	Comit Saisse	<u></u>
STEELING Blue Circle fed. 6.2	•	2802	.16	676	190	Buring Brethers	9.875
EEUs St. Gabein Heth'hands Øİ	78	1882		4%	100		4.500
	. /	ler's		444	190	Salumon Brothers	
Lickeninouag Francs Union Bk of Hereny **‡	300	1902		7%	19814	Kradistank list.	7.314
YEN							
Lives 2 lat. I	17m	1962	5		8214	Homers lat.	3,986
ENEL Í	15km	1994	7	4%	18176	IBJ lint.	4.433
UBS Firemon 1	15ha	1992	5.	4%	181%	. 085 (Sees)	4.010
had. Bank of Japan I	36ha	1997	10	474	18176	HR.J Sec.	4,578
DeC list. Flavores 1	20hg	1992	5	41/4	182	Hitis Sees (Europe)	4,068
Credit National I	160m	1892		4%	19214	Dairen/Mitoni Treet	3.872

Rabobank Dederland

Cooperatieve Centrale Raiffelsen-Boerenleenbank B.A.

A\$50,000,000

151/4 per cent. Bonds due 1990

Swiss Bank Corporation International Limited

Rabobank Nederland

Bankers Trust International Limited

Deutsche Bank Capital Markets Limited

Hambros Bank Limited

Banca del Gottardo

Banque Internationale à Luxembourg S.A. **County NatWest Capital Markets Limited**

DG BANK Deutsche Genossenschaftsbank

Dresdner Bank Aktiengesellschaft

Genossenschaftliche Zentralbank AG-Vienna

Kredietbank International Group Norddeutsche Landesbank Girozentrale

Swiss Volksbank

Bank Brussel Lambert N.V.

Banque Paribas Capital Markets Limited Crédit Commercial de France

DKB International Limited

EBC Amro Bank Limited

Kansallis Banking Group

Nederlandsche Middenstandsbank ny

S.G. Warburg Securities

This announcement appears as a matter of record only.

April, 1987

A\$75,000,000

15% Notes Due 1990

Issue Price 101,375%

Hambros Bank Limited

ANZ Merchant Bank Limited

Banque Internationale à Luxembourg S.A.

Credit Suisse First Boston Limited

Fay, Richwhite (U.K.) Limited

Crédit Lyonnais

Orion Royal Bank Limited

Algemene Bank Nederland N.V. Bank of New Zealand

Dresdner Bank

Rabobank Nederland

Vereins- und Westbank

Orion Royal Bank Limited

Istituto Bancario San Paolo di Torino McCaughan Dyson and Co. Ltd.

BankAmerica Capital Markets Group

Deutsche Bank Capital Markets Limited

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A.

Chemical Bank International Group

CIBC Capital Markets

Scot

"FE B

Die Erste österreichische Spar-Casse – Bank First Austrian Bank

EBC Amro Bank Limited

Goldman Sachs International Corp.

Kidder, Peabody International

Limited

Morgan Guaranty Ltd

Security Pacific Hoare Govett Limited Westdeutsche Genossenschafts-Zentralbank eG

April, 1987

Tuesday Aprila

from credit

SUES

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PORATION

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THE BANK OF NOVA SCOTIA U.S. \$100,000,000 Floating Rate Debentures due 1993 NOTICE OF REDEMPTION

NOTICE IS HEREBY GIVEN that, pursuant to the terms of the trust indenture detect as of October 15, 1967 and made between The Bank of
Nova Scotia (the "Bank") and a predecesor of The Canada Trust Company, as trustee, (the "Trustee"), as supplemented and amended by indentures supplemental thereto, including the Terth, Supplemental Indenture dated as of October 29, 1981 and made between the Bank and the
Trustee (the said trust indenture as so supplemented and amended
being hereinster referred to as the "Trust indenture", the Bank intende
to redeem and will redeem on April 30, 1987 (the "redemption dete") all
of the U.S. \$100,000,000 Floating Rate Debenquies due 1983 of the Bank
(the "Debentures") issued under the Trust indenture which are ourstanding on the redemption date at a price equal to the principal amount
thereof together with interest on such principal amount accrued and
unpaid to the redemption date (the "redemption price"). The interest
accrued to and payable on the redemption date will be paid upon presentation of coupon F-11.

The Debentures will become due and psychia at the redemption price on the redemption date at any of the specified offices of the Principal Paying Agent and the Paying Agents for the Debentures which are, respectively, fa) The Bank of Nova Scotia Trust Company of New York, 87 Wall Street, New York, New York, New York, 10 The Bank of Nova Scotia, 33 Finsbury Square, London, England; The Bank of Nova Scotia, 66 Boulevard de L'Imperatrice, Brussels; Kredietbank S.A. Lutembourgeoise, 43 Boulevard Royal, Luxembourg and Credit Susse, Paradeplatz 8, CH-8021, Zurich upon presentation and surrender of the Debentures together with all unmatured coupons.

AND NOTICE IS HEREBY FURTHER GIVEN that from and after the rede-mption date all interest on the Debertures shall cause and unmatured coupons (being coupon nos. F-12 to F-24, inclusive) shall be void.

DATED at Toronto, Canada this 21st day of April, 1987 THE BANK OF NOVA SCOTIA

U.S. \$400,000,000 National Westminster Finance B.V.

ted in The Netherlands with its

Guaranteed Floating Rate Capital Notes 2005

in accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from 21 April, 1987 to 21 October, 1987 the Notes will carry an interest Rate of 7%% per annum. The interest payable on the relevant interest payment date, 21 October, 1987. against Coupon No. 5 will be U.S.\$365.36.

By The Chase Manhattan Bank, N.A., London Agent Bank

Bank of Greece US \$150,000,000 Floating Rate Notes due 1994

Notice is bereby given that the Rate of interest relating to the above issue has been fixed at 7 per cent for period 21st April, 1987 to 21st July, 1987. Agent Banks Morgan Guaranty Trupt Company of New York

BANCORPORATION OF TEXASLING US\$100,000,000 Floating Rate Notes the January, 1995

In accordance with the provision of the Noting, notice is hereby given that the Rate of interest to the three month period 22nd April 1987 to 22nd July, 1987 tas bee fixed at 7 a per cent per annum interest will therefore be payable at US\$178.52 or 22nd July, 1987 MANUFACTURERS HANOVER THUST COMPANY Agent Bank

INTL: COMPANIES and FINANCE

Japan Air Lines faces heavy forex losses

The losses stem from forward the yen and other major currency contracts which the airline concluded with hanks around the summer of 1985 for buying about \$300m every year at an average of Y185 for an the government, will be compared to 1986 (totalling \$3.6m). For instance, the fiscal 1987 forward dollar contract would generate Y16bn in exchange losses if the US currency remains at the aiready been counted in JAL's arate of 6 per cent and to increase the rate to 8 per cent and increase th

JAPAN AIR LINES, the tracts were concluded in the money for purchasing aircraft national flag carrier which is due to be fully privatised in the current fiscal year, is facing dollar was trading as high as heavy losses on foreign exchange if the dollar remains on a downtrend.

The losses them from forward the wen and other major cur- increase the rate to 8 per cent

Yishn in exchange losses if the The exchange contracts have already been counted in JAL's day called the contracts a sort of Y140 to Y145.

At the time when the con-

Study group for Japanese CP

BY OUR TOKYO CORRESPONDENT

JAPAN'S Ministry of Finance is to form an advisory group of the ministry has already outside financial experts and academies to hear their views on its scheme to create a commercial paper (CP) market in Japan this October.

The study group, to be set up as an advisory body to the ministry's banking and securities ministry's banking and securities better the domestic commercial paper and new instruments will be like-chip corporations such as paper and new instruments will be like-chip corporations such as paper and new instruments will be required to set up a securities bureaux, will have its first

on its scheme to create a commercial paper (CP) market in houses will be allowed to under-write and sell commercial blue-chip corporations such as The study group, to be set paper and new instruments will blue-chip corporations such as up as an advisory body to the ministry's banking and securities bureaux, will have its first meeting on Thursday to work to less than six months. The meeting on Thursday to work to less than six months. The "back-up line" under which out details, such as the number of qualified CP issuers, fixed at Y100m. Issuers' eliginisming corporation if it fails to issuance limits, investor protections.

KLSE in broking licence protest ing of the current restructur-

THE KUALA LUMPUR Stock await the outcome of the Exchange (RISE) has sent a Malayan Banking application.

The KUALA LUMPUR Stock await the outcome of the Exchange (RISE) has sent a Malayan Banking application.

In its memorandum, the Securities (aince renamed Arab-Malayain Securities) for a regainst a purported move to trary to the recommendations grant full broking licences to of the task force on the corporate price of 3.5m ringgit (USRLAM).

The memorandum follows The memorandum renows reports that the ministry was considering giving full broking licences to the country's three largest banks, Bank Bumiputra, Malayan Banking and United Malayan Banking Corporation. Malayan Banking has confirmed to the expenition of the support of the properties of the support of the it has submitted an application for such a licence. At the same time, Public Bank, the fourth largest, is reported to have halted discussions to buy a 61 per cent stake in a broking firm to

peratisation of the local securities industry, set up in 1985, which recommended that local banks and foreign broking companies be allowed to participate in the RLSE but through partnerships with existing local broking firms.

Under the amendments to the Securities Industry Act in 1984, the Finance Minister is empowered to grant broking licences to persons or institutions whom he considers to be So far, only one bank, Arab-

taken a 61 per cent in Kris Securities (since renamed Arab-Malaysian Securities) for a re-ported price of 3.5m ringgit Another financial institution

Hong Leong Credit, is awaiting ministry approval for its acqui-sition of a 61 per cent stake in Zalik Securities for 4m ringgit. Hong Rong-based W. L Carr has acquired a 30 per cent stake in Seagrost and Campbell for HK\$15

Local stockbrokers fear the granting of full licences to banks would devalue their seats on the exchange, and they would lose business to the

Brierley expands interests in gas

By Dai Hayward in Wellington MR RON BRIERLEY, the New Zealand entrepreneur, is poised

to become the dominant force in New Zealand's gas distribution sector and to expand into new areas of gas utilisation in both New Zealand and China. Welgas Holdings, the franchise supplier of natural gas to Wellington City and a 56 per cent-owned subsidiary of Brier-

ley Investments (BIL), has made full bids for Aukland Gas and East Gas, of which it already owns 44 per cent and 54 per cent respectively. The companies distribute gas throughout Auckland City and the east coast of the North

Between them, the three privately owned utilities provide 38 per cent of the total natural gas used in the retail sector. Welgas is already the major New Zealand supplier of gas in the private sector.

The bids, which seem likely to succeed, would create a major marketing distribution network controlling 13 utility organisations with supply franchises throughout the North Island. In the South Island, which the supply franchises throughout the North Island. which has no natural gas distri-bution pipeline, BIL is also in-volved in the supply of liquid petroleum gas.

Bil is clearly preparing for the deregulation of the oil in-dustry and also to take advanand coal industries as a result of the government turning these over in state-owned corporations. Mr Derek Johnston, Welgas managing director, says the merger will not only help natural gas compete more effectively in the overall energy sector but will strengthen the group's availability to develop technical and marketing abilities.

contract to belp develop a large natural gas field in China. The chinese are anxious to develop natural gas as a fuel for cars, trucks and road transport vehicles. Welgas will provide most of the expertise and New Zesdand-made equipment to haild a large compressed build a large compressed natural gas (CNG) refuelling station in Chengdu, the capital of Sichuan Province. This will be the first public CNG station in China.

U.S.\$200,000,000 ML TRUST VI

Collateralised Mortgage Obligations Floater Class A Bonds

In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest has been fixed at 7.5625% for the second Floater Interest Period of April 20, 1987 to July 19, 1987. Interest accrued for this Floater Interest Period is expected to amount to U.S.\$17.27 per U.S.\$1,000 Bond.

PRINCIPAL PAYING
AGENT
Texas Commerce Bank
National Association

at the office of its agent at Texas Commerce Trust Company of New York 80 Broad Street New York, New York 10004

PAYING AND TRANSFER AGENT Citicorp Investment Bank (Luxembourg) S.A. 16 Avenue Marie-Thérèse L-2012 Luxembourg

Merrill Lynch International Bank Limited



Christiania Bank og Kreditkasse (Incorporated in the Kingdom of Norway with limited liability)

U.S.\$100,000,000 Floating Rate Subordinated Notes Due October 1997 Notice is hereby given that the Rate of Interest has been 1797 and that the interest payable on the relevant Interest Payment Date October 21, 1987 against Coupon No. 4 in respect of US\$10,000 naminal of the Notes will be US\$374.90 and in respect of US\$250,000 naminal of the Notes will be US\$9,372.40.

April 21, 1987, Landon By: Cilibank, N.A. (CSSI Dept.), Agent Bank

Eni International Bank Limited ECU 135,000,000

Guaranteed Floating Rate Notes due 1992 Ente Nazionale Idrocarburi

In accordance with the terms and conditions of the Notes, the rate of interest for the interest period April 21, 1987, to July 22, 1987 has been fixed at 74% per annum. Interest payable on July 22, 1987 will be ECU185.28 per Note of

Morgan Guaranty Trust Company of New York London Branch

U.S. \$150,000,000

Floating Rate Depositary Receipts Due 1992 BANCA NAZIONALE DELL'AGRICOLTURA S.p.A. Notice is hereby given that for the Interest Period 21st April, 1987 to 21st October, 1987 the Rate of Interest is 71/16 per cent. per annum. The Interest Amount psyable on 21st October, 1987 will be U.S.53,653.65 in respect of each Receipt. Agent Bank: Canadian Imperial Bank of Commerce LONDON BRANCH

This announcement appears as a matter of record only.

Canadian \$100,000,000

Scotia Mortgage 🕭 SCOTIA MORTGAGE CORPORATION

(A Canadian Loan Company)

Unconditionally and irrevocably graranteed by THE BANK OF NOVA SCOTIA
(A Canadian Chartered Bank)

84% Medium Term Notes due 1992

Issue Price 100%%

Wood Gundy Inc.

The Bank of Nova Scotia Group

McLood Young Weir International Limited

Algemene Bank Nederland N.V. Banque Nationale de Paris

Citicorp Investment Bank Limited

Dominion Securities Inc. Merrill Lynch Capital Markets

Salomon Brothers International Limited Swiss Bank Corporation International Limited

Banque Bruxelles Lambert S.A. Bayerische Landesbank Girozentrale Commerzbank Aktiengesellschaft Goldman Sachs International Corp. Morgan Stanley International

Samva International Limited Yamaichi International (Europe) Limited

Bankhaus Hermann Lampe Sal. Oppenheim jr. & Cie.

Credit Industriel d'Alsace et de Lorraine

Norddeutsche Landesbank Vereins- and Westhanl

This announcement appears as a matter of record only.

Canadian \$100,000,000



Victorian Public Authorities Finance Agency

81/2% Guaranteed Notes due 1992

guaranteed by

The Government of Victoria

Issue Price 100%%

Wood Gundy Inc.

Deutsche Bank Capital Markets Limited

IBJ International Limited

Bank of Tokyo International Limited

Banque Bruxelles Lambert S.A.

Commerzbank Aktiengesellschaft

Banque Nationale de Paris Daiwa Europe Limited

EBC Amro Bank Limited

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft Merrill Lynch Capital Markets

McLeod Young Weir International Limited

S.G. Warburg Securities

Bankhaus Hamann Lampe

Hill Samuel & Co.

Crédit industrial d'Alsace et de Lorraine

Merck, Finck & Co.

Daiwa Bank (Capital Management)

Mitsubishi Trust International

Nomura International Limited

Sal. Oppenhaim jr. & Cie.

Shearson Lehman Brothers International

Vereins and Westhank

Generale Bank

Yasuda Trust Europe

Richard Tomkins looks at the shrinking computer leasing sector

Comcap rows in for Atlantic survival

can be a fearsome force. Look what it has done to the computer leasing sector: never very big, with a maximum membership of five, it has now shrunk to the point where it barely exists at all. In the last six months Datasery has been taken over

by BellSouth of the US, United Leasing has agreed to a bid from Inspectorate of Switzerland, and Comcap has succumbed to a merger with Atlantic Computers. Once these deals are signed, Atlantic and IBL will be the only indepen-

The story of the computer leasing sector is a short one.
It goes back only as far as
1983, when United became the
first of the five to seek a

dently-quoted survivors.

United had a bumpy path to the market. Its offer for sale was hadly undersubscribed, largely because it managed to fall out with its merchant bank advisers, Hill Samuel, just days

advisers, Hill Samuel, just days before the flotation.

The company's debut was also marred by memories of the heavy losses sustained by the Lloyd's insurance market through the collapse of ITEL, the US computer leasing company, a few years earlier. Lloyd's lost money because it had insured part of the residual (second-hand) value of ITEL's machines.

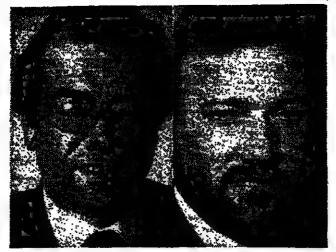
In spite of these initial reservations, United's share price

In spite of these initial reservations, United's share price soon began to pick up, and by the end of the year the company had been joined on the stock market by Atlantic and Dataserv. Comcap followed in May 1984 and IBL in June 1995.

In a sense, it was the very emergence of this new stock market sector that was to prove its undoing. One computer lessor alone might have attracted little attention from stockbrokers' analysts, but five of them together provided an interesting sector for study— and the more the analysts looked at it, the less they liked

what they saw.
At the core of their concern
was those residual values, and of the companies' profits were

Computer lessors lesse out IBM mainframe computers and peripherals to end-users. This is a tough business and lessors have to offer very competitive terms to win market share. These terms can be so fine that they leave little scope for



Mr John Foulston (left), chairman of Atlantic and Mr Philip

The first companies to go were the most heavily debt laden. Dataserv agreed to a takeover by BellSouth of the US last November, and United accepted a bid from Inspectorate of Switzerland at the beginning of this month. Both said they did not have the captain the tage to carry on alone

said they did not have the capa-tal base to carry on alone. Then on April 9, Comcap agreed to a bid from the much larger Atlantic, Comcap was not in a cash crisis, but it was probably beginning to look a little too small to survive the

concentration of forces among the other players.

The merger also provided a convenient exit for Comcap's majority shareholder, 62 year-old non-executive chairman Mr Ernst Schneider, whose family interests stand to pick up over 86m in cash and £20m worth of Atlantic characterists.

Atlantic shares as part of the

So what of the sector's sur-vivors—Atlantic itself, and

Certainly the Comcap deal looks good for Atlantic. Up till now, much of Atlantic's business has been in Britain. The merger with Comcap will turn the combined group into a significant force in virtually

Instead, lessors rely on what they can get out of the equipment when it reverts to them at the end of the lease, either by selling it or leasing it on to another customer.

to another customer.

There is nothing wrong with that. What upsets the City is when lessors take in this residual profit by setting it off against the cost of sales at the time the equipment first one. time the equipment first goes out on lease, rather than when it is actually realised in cash. This boosts pre-tax profits in a way which rests on the risky assumption that the residual value will not suddenly be eroded by technological obsolescence or a bout of price-criting in the meantime. cutting in the meantime,

The lessors were not all criticised equally. Their The lessors were not all criticised squally. Their accounting policies varied: Comcap, in paraicular, was regarded as being the most conservative of the five. Datasery, too, was favoured for its increasing diversification into computer maintenance but the lofty share price ratings the five had enjoyed up until 1985 were already becoming a fond memory.

memory.
Worse was to come. In June Worse was to come. In June last year IBL produced its intere much-delayed figures for 1985 showing that profits had fallen from £7.5m to £6m—about half the figure the City had been led to expect. Just six weeks later, United Leasing reported an equally horrifying downturn from £5.3m to £4.4m. Involcelly, neither of these setbacks had enviting to do with the over-estimation of residual values: IBL had howy losses in France and United a sign suffered a highly losses in France and United suffered as highly losses in France and United suffered as highly losses in France and United suffered as highly losses in France and United suffered suffe

rutner, Ausnors much-vaunted decision to become a born-again Comean by eliminat-ing residual values from its profit and loss account has added to its City credibility.

This does not mean that reservations about Atlantic have been entirely dissipated. Some argue that the residuals may have gone but the company is still depreciating its assets to zero over a period of five years. If a computer should become sero over a period of five years. If a computer should become overtaken by technological obsolence in less time than that, its book value will be higher than its real value and the difference will have to be written off.

Set against that is the reputation of Atlantic's chairman Mr John Foulston, a man whom ome hold in awe.

"He's the sort of person I'm delighted to have my money with, but I'd hate to have him for my boss," says one

The blow to confidence—and to share price ratings—was severe. This mattered because computer leasing is a cash-absorbent business, requiring heavy investment up front to produce long-term returns over the length of a lease. With confidence undermined and share prices in tatters, access to bank borrowing and equity finance became increasingly difficult.

The first companies to go "He's very demanding to work for. There's a certain streak of ruthlessness in him, which is why that company is where it is today. He has that ability to go straight for the jugular."

Even so, Atlantic is still on a prospective price/earnings multiple of only 12, a figure re-flecting the continuing contro-versy about the quality of its

IBL, meanwhile, is still tak-ing residuals into profit, but claims that it does so on such a conservative basis that the figures would go up rather than down if restated according to the Atlantic methods.

the Ariantic memous.

IRL's shares have seen some recovery in the last few months but are still tainted by the 1985 downturn, and some of today's price reflects speculation that it, too, might succumb to a bid. Its figures for 1986 are due out in the next week or so and are likely to attract a good deal of affention for what they say about its cash position. out its cash position,

But Mr Philip Coussens, IBL's chairman, is adament that the company is not about to yield its independence—least of all to Atlantic, IBL is much bigger than Comcap, he says, and the merger would provide too much duplication to make obvious

"In any case," Mr Coussins says, "John Foulston is a nice guy, but there is only room for one man at the top, and somehow I just can't see him stepping down." A consortium represented by
Mr Trever Breitinali, a solidtor, has negotiated as option to
his 658 per cent of the company's equity from existing
shareholders at 100p a share
and to retain 26.8 per cent after
placing the balance in the marlest.

New meeting called in battle for **Bremner**

By Martin Dickson

THE long-running battle for control of Bremner for control of Bremner, the Glasgow-based property business, intensified over Easter when a dissident shareholder linked to City and Westminster Financial applied for a new extraordinary meeting to vote six of its nominees onto the board and three of the five board, and three of the five existing directors off,

The move follows a decision The move follows a decision last Thursday by the Edinburgh Court of Session to remove voting restrictions it imposed on a block of Bremner shares, representing 25 per cent of the equity, held by Malaga Investments, which is linked to CWP, a corporate finance house headed by Mr Andrew Greystoke.

In March, CWF attempted to unseat Mr James Rowland-Jones at an egm, but he saw off the challenge by obtaining me injunction preventing the Malaga shares from voting for the motion.

In lifting this restriction last week, the Court also granted an order restraining the Bremner board from selling the group's Glasgow store. But Mr Rowland-Jones said yesterday that this was of little relevance since the group could never sell the store without an egm

At Mr Rowland-Jones request, Department of Trade inspectors are currently investigating transactions in the

sharp fall in pre-tax profits, from £884,000 to £511,000 for 1986 despite an increase from £9.63m to £9.52m in sales.

The company had reported a loss of £80,000 at the interim stage, but because of the highly seasonal nature of the trade Mr

Francis Spear, chairman, said that result should not be taken

Baldwin, an investment, pro-perty and concrete-making group, appears likely to under-so a change of management.

As part of the deal, three of Baldwin's directors — Mr Stephen Kaye, Mr Martin Mois and Miss Kaye Parkes-will

step down, to be replaced by

three consortium members— Mr Brentnall, Mr Colin Ger-

value-Brazier and Mr Guy Ask-

Baldwin change

Beazer plans to go ahead with US share issue

BY MARTIN DICKSON

C. H. Benzer, the acquisitive building group, is planning to press ahead with an issue of shares in the US—despite mounting institutional disgulet ahout overseas equity offerings about overseas equity offerings
but may scale down the size
of the issue in an attempt to defuse shareholder opposition.

Beazer is due to ask share-holders next Monday to approve an issue of shares; raising about £80m, in the form of American Depositary Receipts (ADRs). But it now finds itself at the

entre of a campaign by certain major City institutions to maintain the principle of preemptive rights — the rights of existing shareholders to have first refusal of any shares on offer so that their stake in the company is not diluted.

seas investors. The 18m shares involved represented 7.4 per cent of Fisuns' existing share capital and 5.5 per cent of the authorised. Institutional guide-lines suggest that companies can make occasional issues of under 6.67 per cent of issued and 5 per cent of authorised.

Tomorrow Barclays will seek Today Beazer will be seeking shareholders' approval for an equity offering, worth about £215m, in Japan and the US shareholders to try to find an representing 4.7 per cent of the company's authorised share company's authorised share to ne tactic under considerational grumbling about this, but ing, perhaps to around 5 per it seems likely to face less cent of authorised share capital.

opposition than the Fisons or Beazer issues, since it comes within the guidelines. Beazer's ADR offering covers at least 30m shares, some 11 per cent of its issued share capital, though the American underwriters can place a fur-ther 4.5m, bringing the total up

to 13 per cent of the issued share capital.

Prudential Assurance, which holds 7 per cent of Beazer's equity, is understood to be strongly opposed to the scheme. Today Beazer will be seeking to arrange a meeting with it and other major institutional shareholders to try to find an

Charterhall agrees terms for CNA bid

the offers, and that no holders

of the warrants exercise their right to subscribe for CNA

ordinaries, a maximum 11.57m new Charterhall ordinary would be issued (8.6 per cent of the company's enlarged

holding company with interests in oil and natural gas exploration and production as well as mineral exploration, has agreed terms to acquire the 41 per cent of Charterhall North America it does not already OWB.

Terms are one four Charter hall new ordinary for every one share of CNA and one new share for every CNA subscrip-

Independent directors of CNA and its financial advisors consider the terms reasonable and recommend acceptance, . Assuming full acceptance of

for 1986, he said that the results

proved to be somewhat dis-appointing as certain new products failed to perform to budgeted levels with the result

that increased development and marketing expenditure was not

would be placing a greater emphasis on its traditional pro-

ducts, it would also pursue major new products that fitted well into the range. The board's aim for 1967 was

Stated earnings per giare were 7.33p (12.34p) for the maintained sp dividend.

matched by a correspondencesse in sales.

Disappointing year at Spear

J. W. SPEAR, the toys and as an indication of the outco games manufacturer, reported a for the year. Sharp fall in pre-tax profits, Commenting on the out-to-

the offers, and that no holders of the warrants exercise their right to subscribe for CNA radinaries, a maximum 11.57m rights to subscribe for CNA rodinaries, a maximum 11.57m rights to subscribe for CNA ordinary and accepted the would be issued (8.6 per cent of the company's enlarged that capital). If all holders of the warrants,

l	SP	ONSORED SE	C	UR	IT.	IE:	S
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1	_	Ass. Brit, Ind. CULS	183	-	10.0	6.1	_
l	1900	Armitage and Rhodes	38	_	4.2	11.7	8.0
١	0,210	BBS Design Group (USM)	76		1.4	1.9	17.9
ı	71,006	Serdon HILL	223 .	+11	4.6	21	25.3
ı	7,721	Bray Technologies	140md	+10	4.7	3.4	11.2
ı	400	CCL Group Ordinary	134	-	2.8	. 2.2	9.5
ı	1,263	CCL Group 11pc Conv. Pref	101	-	15.7	15.5	·—
ı	16,299	DerBorgundere Ord.	271	+ 1	10.7	3.8	11.0
ı		Carborundum 7.5pc Pref	* 84	_	10.7	11.4	
L	1,736	Gearge Bleir	94	_	3.7	3.9	7.5
ŀ	9.716	Sis Group	122	-	18.3	_	_
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I	3,700	Torday and Carllain	184		5.7	3.7	8.3
ľ	1,486	Trevien Holdings	330	+ 5	7.8	2.4	6.9
ı	17,200	· Unitook Holdings (82)	86	_	2.8	3,2	15.8
ı	25.777	Weiter Alexander	138	+ 3	5.0	3.6	13.2

W. S. Yestee Management 189 — 17.4 S.0 19.3 West Yorks Ind. Hosp (USM) 118 +11 5.6 4.8 18.6

Michelin Performance in 1986



Michelin Tyre PLC Results of UK operations Year ending 31st December	1986	1985	% Increase
Turnover	£567.3m	£517.9m	9.5
Profit before taxation	£33.9m	£26.5m	27.9
Profit after taxation	£30.3m	£21.5m	40.9

Following the return to profitability in 1985, further very satisfactory progress has been made in 1986. All factories improved production efficiency. During the year, capital expenditure in manufacturing was continued on a programme of equipment modernisation and increasing production flexibility. A basis has already been established for further efficiency improvements. The company has always been noted for the quality of its products and considerable attention is being given to quality assurance standards at each

Sales were in line with expectations in the domestic Replacement and Original Equipment markets. The overall market trend was one of above-average growth in the car tyre sector but of continuing instability in the demand for truck tyres. Market shares were maintained at the foreseen levels of sales revenue. Export sales showed a good increase over those of 1985.

Associated Tyre Specialists performed well in the highly competitive distribution trade. This Michelin subsidiary recorded an expansion in turnover and profit and strengthened its representation in the United Kingdom and The Netherlands.

Michelin Tyre PLC employs more than 11,000 people in its UK manufacturing and

sales operations. Tyres are manufactured in factories at Ballymena, Burnley, Dundee and

Stoke-on-Trent. In 1987 the company is celebrating 60 years of production in the UK.

The Michelin group maintains as its objective the pursuit of technical progress with its customers in mind.

> MICHELIN TYRE PUBLIC LIMITED COMPANY Stoke-on-Trent ST4 4EY

Make gury it's a machille

FINANCIAL TIMES STOCK INDICES 96.83 96.55 96.33 96.31 96.97 97.11 97.98 90.25 150.4 50.53 1540.3 | 1515.1 | 1506.7 | 1512.4 | 1523.8 | 1546.2 | 1625.2 | 1320.2 | 1625.2 | 49.4 Gold Mines ... 444.5 479.9 485.0 483.8 470.4 441.2 465.0 288.2 734.7 45.5 FT-Act All Share .. 979.12 966.35 960.35 964.66 974.45 986.51 1026.58 835.48 1026.58 61.92 1949.4 | 1922.2 | 1908.9 | 1917.1 | 1936.7 | 1962.8 | 2056.2 | 1680.0 | 2056.2 | 986.9 FT-SE 100 .

This announcement appears as a matter of record only.

March, 1987

On behalf of

Dixons Group plc

8,300,000

Ordinary Shares of 50p each

Woolworth Holdings plc

have been placed with investors in the United Kingdom and internationally by the undersigned

Salomon Brothers International Limited

In London: Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB, England In Tokyo: Salomon Brothers Asia Limited, Ark Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo 107, Japan in Frankfurt: Salomon Brothers AG, Grosse Gallusstrasse 10-14, Frankfurt am Main 1, Germany In Zurich: Salomon Brothers Inc, Stadelhoferstrasse 22, 8024 Zurich, Switzerland in New York: Selomon Brothers Inc., One New York Plazza, New York, NY 10004, U.S.A.

aday April 21 lbg

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1, 2000 B

00.000 s of Eop each

UK COMPANY NEWS

Select has since acquired two

agencies in France, in Paris and Bourdeaux, and one in

New York, to form a base for its US expansion. In the last financial year, to April 5, it produced pre-tex profits of

least £1m on turnover of £10m.

After its placing, through Riemwort Grieveson on Friday, it will be valued at around £12m with a p/e in the high

séléct'

Banque Bruxelles Lembert S.A.

n Informationnie à Luxumbourg S.A.

Commonwealth Bank of Amereila.

Credit Salam First Boston Limited

infinis Demonsks files Freels of Turks

Mercii Lynch International & Co.

Orion Royal Bank Limited

County Nat West Capital Markets Limited

Die Erste österreichische Spar-Cass - Bank

Westdenische Genoarzaschafts-Zentralbank aG-

Alice Rawsthorn on the rise of Select agency

Going public in face of the jobs revolution

"THERE has been a revolution in the jobs market," said Mr Robert Klapp. "Employers have learnt the lessons of the recession. Never again will they run the risk of being caught with falling order books and employees they cannot lay off. Temporary employment is here to stay."

In the 1980s the dole queues may have grown longer and longer but temporary employ-ment has bouned.

"Flexibility," es it is euphemistically called, has become past and peacel of the employment market. In almost every area of industry em-ployers have drafted in con-tract, seasonal and temporary workers and a new industry of employment agencies has

employment agencies has spring up to supply them.
Select Appointments, the company of which Mr Klapp is chairman and managing director, is one of the bearedclaries of this trend. In little more than three years Select has

séléct'

with two employment agencies into a network of 24 agencies in southern England with interests in the US and France. On Friday it will go public on the USM.

The development of Select dates back to 1961 when Mr Klapp's wife, Marianna, set up an employment agency in Sussex. The employment in-

Branque Générale du Luxembourg

Chamical Bank International Limits

Deutsche Bunk Capital Markets Limited

Union Bank of Switzerland (Securities)

Dreedner Bank Aktiengerelischaft

McCaughan Dyson & Co. Limited

Morgan Stanley International

Westpac Banking Corporation

Hembres Beck Limited, 41 Bishopegate, London EC2P 2AA

Cooperatieve Centrale Raitiei Boerenieenbank B.A.

Cridit Lyonnais



Mr Robert Klapp, chairman and managing director of

Select's expansion began in late 1983 when Mr Klapp gave up his job as managing director of Reliance, a private amployment agency later taken over hy Blue Arrow, to join his wife's business.

The business was then composed of two agencies, in

The business was then composed of two agencies, in Crawley and Milton Keynes. Select will concentrate on accelerating its international prior the Business Expansion and diversifying into exp Sussex. The employment industry was then at the nadir
of its fortunes.

In the ravages of the recession Its reverse that pattern through in just four years.

In the ravages of the recession Its reverse that pattern through in just four years.

GMAC, Australia (Finance) Limited

A\$ 60,000,000

141/4 per cent. Notes due 1991

General Motors Acceptance Corporation
(Brosporated in the State of New York)

Issue Price 101 per cent. and accrued interest, if any

The following have agreed to subscribe for the Notes: Elevativa Bank Limital

Selomon Brothers International Limited Swim Bank Corporation International Limited

Application has been made for the Notes constituting the above issue, in bearer from in the denomination of ASI,000 each to be admitted to the Official Lies by the Council of The International Stock Eurhauge of the United Engless and the Republic of Ireland Limited, subject only to the issue of the importacy global Note, interest will be psychole assembly in screen on full May, the first psymmet being made on 6th May,

Listing particulars relating to the Notes, the Issuer and the Guaranter are available from the statistical services of Extel Financial Limited and copies may be obtained during usual business hours up to and including 23rd April, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 5th May, 1987 from the following:—

The Securities referred to above have not been registered under the United States Securities Act of 1933 and may not be officed, sold or delivered, directly or indirectly, in the United States of America, in territories or its passassions or to United States parsons.

tim with the requirements of the Council of The International Stock Exchange of the oblic of Iroland Limited and does not constitute an offer of, or an invitation to the public to naboritie for or to purchase, any recurities.

Cambridge **Isotope** ready to join USM rigorous scrutiny of its "employees" and close liaison with clients.

Cambridge Isotope Laboratories (CIL), a high-technology US company specialising in non-radioactive isotopes and asso-Last year Select decided to prepare for a public flotation and to expand overseas, in an ciated chemical compounds, is coming to the USM later this month via a placing of 2.79m shares at 55p which will value it at £7.08m. attempt to counter a future downturn in domestic demand by diversifying into other economies. Neither course of action was feasible under the BES. Select bought itself out,

CIL, based in Woburn, Massa-chusetts, was founded in 1981 and now employs 26 people. Its products are utilized by indus-trial laboratories, medical, government and academic becoming the first company to do so. It paid £1.3m for the 48 per cent of its equity that Electra had acquired for £403,000 two years previously. government and academic research centres and health care

research centres and heatm care facilities.

The majority of business, accounting for some 82 per cent of turnover, is in the US. Dr Joel Bradley, President and chief executive, said the placing was intended to provide a launching pad for further penetration into Western Euronean tration into Western European Proceeds of the placing would be used partly to fund the con-struction of a plant for the separation of Carbon-13, a rare stable isotope of Carbon, the purchase of which currently represented a sizeable per-centage of CHI's expenditure

In the year to November 1986, CIL achieved pre-tax profits of \$789,000 on a turnover of \$3,36m. The directors estimated that taxable profits for 1987 would not be less than \$1.35m, which on a notional tax charge of 45 per cent would

produce a prospective p/e multiple of 14.7.

Dealings are expected to commence on April 27. The placing is sponsored by Quilter & Co.

Transactions delay causes fall at Hyman

manufacturer, with profits down to £1.6m for the year against a previous £1.88m.

In the interim statement the chairman said that subject to concluding negotiations for the sale of technology, it was expected that profits for the full year would show an increase own 1985 increase over 1985.

However, the transactions were not concluded until January, and consequently, the first quarter of 1987 will benefit from that profit contribution.

The corresponding shortfall for 1986 was also augmented by a disappointing second half in the furniture division, and the cost of developing the roll-sponge project.

A FURTHER fall in profits in the period to the date of sale, the second half of 1986 has left of about £340,000.

Hyman, Oldham-based polyure-thane foam convertor and 5 per cent to £36.37m (£34.84m), and at the operating level profits were £2.12m (£2.38m). Profits of the related com-pany, Shumberland, in which Hyman has a 20 per cent inter-

est, were slightly lower at £84,550 (£88,658). Interest payable, less receivable amounted to £501,927 (£589,489). The tax charge fell to £552,987

(2853,712). Minorities took more at £26,217 (£19,576), and there was an extraordinary debit of £212,849 (credit £29,978), relating principally to goodwill written off.

Belgrave

the furniture division, and the cost of developing the rollsponge project.

The directors are recommending an unchanged 0.75p final, however, which will maintain Trust purchased 735,000 (4.93 the total for the year at 1.5p.

Earnings per 5p share fell from (6.03 per cent) at 225 p on 3.54p to 3.49p.

They said the 1986 figures acting in concert with Precised not consolidate the accounts of Somercel, sold last the all cash offer is 25p a counts of Somercel, sold last the all cash offer is 25p a counts of Somercel, sold last the all cash offer is 25p a counts of Somercel, sold last the all cash offer is 25p a counts of Somercel, sold last the all cash offer is 25p a counts of Somercel, sold last the all cash offer is 25p a counts of Somercel, sold last share. In addition investment clients of the bank purchased \$50,000 shares at 225p on the same day.

BOARD MEETINGS

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US. \$100,000,000



Collateralized Floating Rate Notes Due 1992

71/4% per annum

Interest Period Interest Amount per

U.S. \$100,000 Note due

21st April 1987 21st October 1987

U.S. \$3,685.42

Credit Sulese First Boston Limited

The Shareholders of SANDVIK AKTIEBOLAG

are hereby invited to attend the Annual General Meeting for 1987, which will be held at 2 p.m. on Friday 15 May at Jernvallen in Sandvik

Items of business which, under the requirements of the Companies Act and the Articles of Association, must be on the agenda for the Annual General Morting, among them being the presentation of the Annual Accounts and Audit Report, the motions to adopt the Company's Froit and Loss Account and Bulance Sheet and the Constituted Profit and Loss Account and Balance Sheet, the motion to agonve the annual of the Company's stlains by the

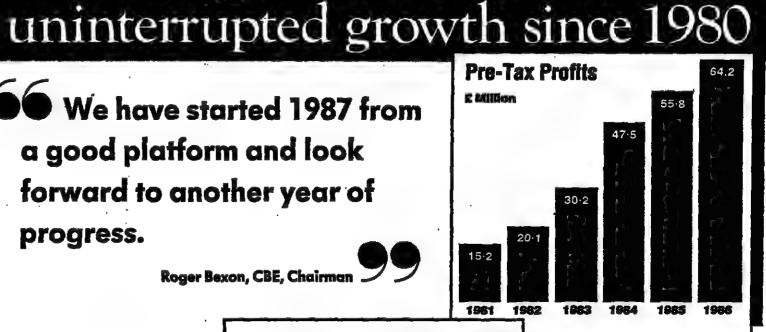
persistent the Company's peofs scording to the stopped Balance Short, the String of the free for the Directors and Auditors, and the election of Directors and

SANDVIK

Sustained progress at Laporte... Record of

We have started 1987 from a good platform and look forward to another year of progress.

Roger Bexon, CBE, Chairman



Sixth successive increase in pre-tax profits and earnings per share

1986 pre-tax profits up 15.1% to £64.2m.

Group sales advance by 13.5% to £422m.



Further dividend increase -24% higher for the year at 10.25p per share.

Net cash doubled to £18.8m.

1986 plant commissionings at record level.





SERVING PEOPLE THROUGH CHEMISTRY

SPECIALIST CHEMICALS AND RELATED SERVICES - WORLDWIDE Laporte Industries (Holdings) PLC, Hanover House, 14 Hanover Square, London WTR OBE.



Guaranteed Floating Rate Notes due 1999, Series 99 Unconditionally guaranteed by

The Kingdom of Denmark Issue Price 100 per cent.

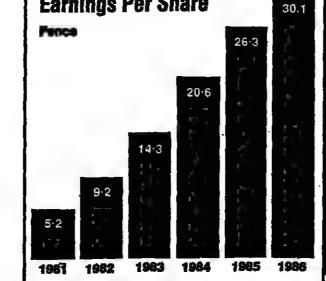
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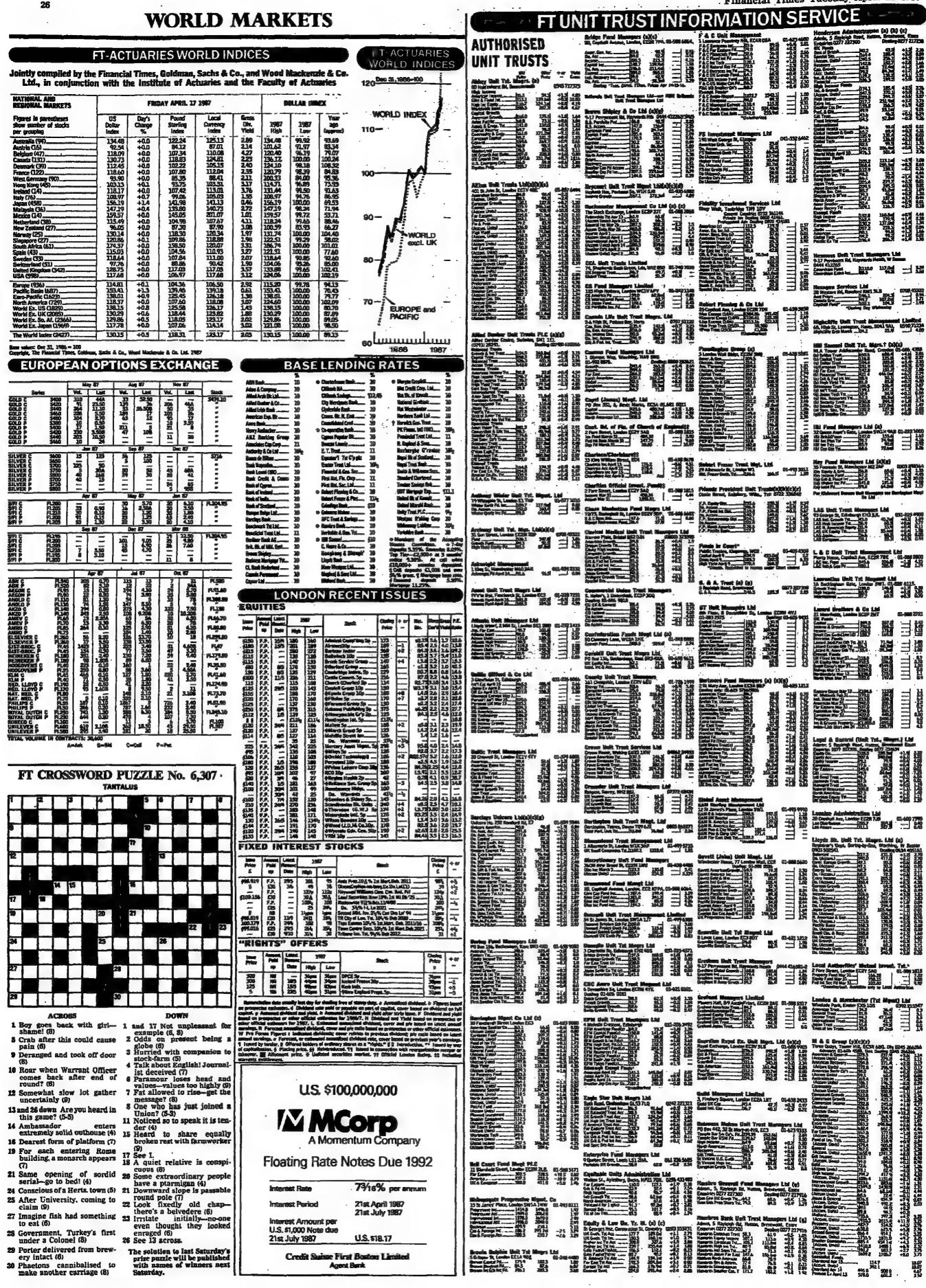
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The Chase Manhattan Bank, N.A. London, Agent Bank



Noteholders are advised that for the interest period from February 21, 1987 to May 20, 1987 inclusive, the sum of US\$166.93 will be payable on the interest payment date, May 21, 1987, per US\$10,000 Principal Amount of



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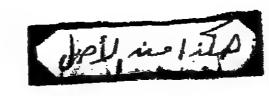
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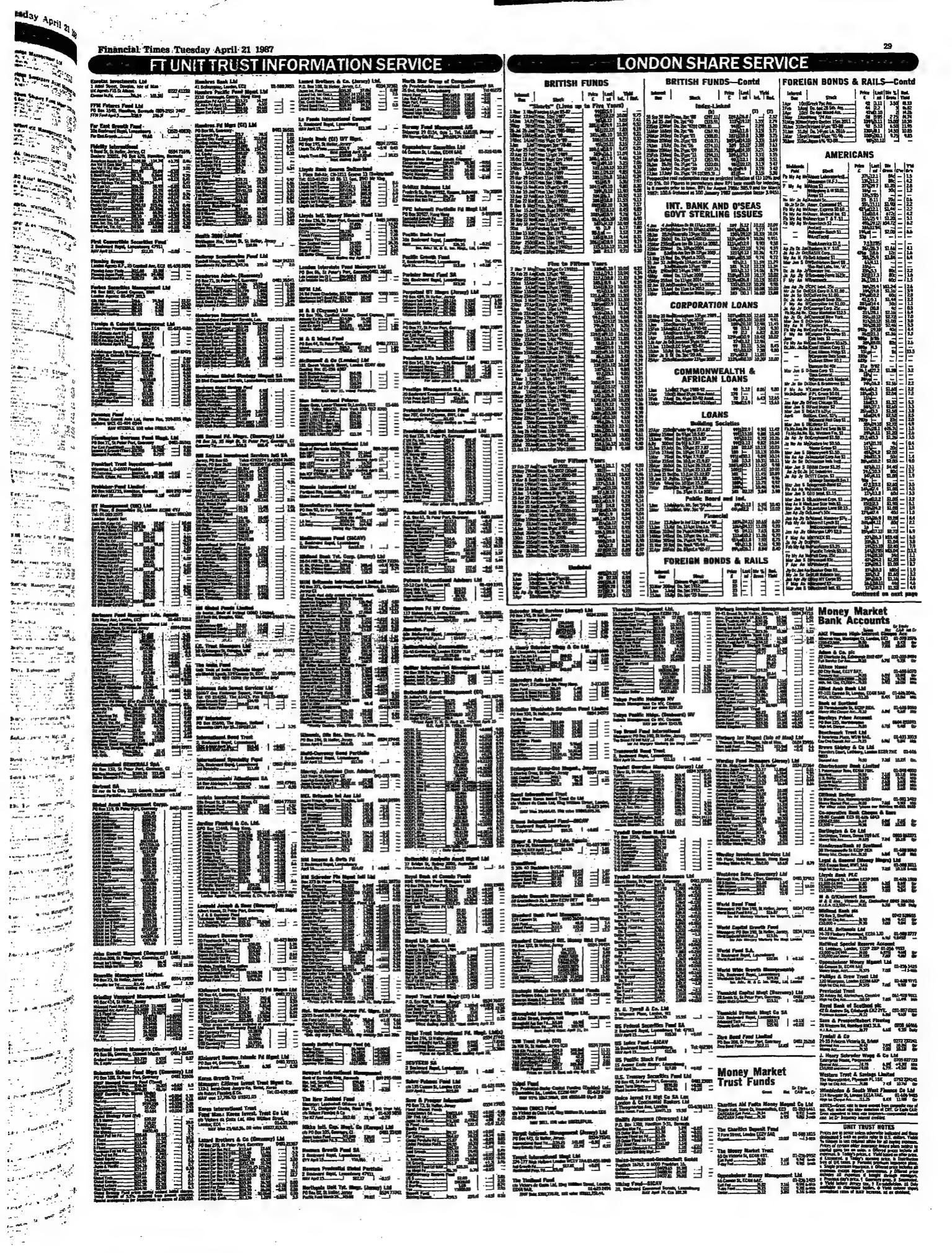
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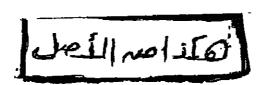
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31 Financial Times Tuesday April 21 1987 LONDON SHARE SERVICE MINES-Continued OIL AND GAS—Continued FINANCE, LAND-Cont. TEXTILES—Cont. PAPER, PRINTING-Continued **INSURANCES—Continued** | Max | Distributed | Strack | Price | Int | 19th | 17th | 18th | 17th | 18th | 17th | 18th | Trail | Property | Trail | Pro WGere Exp & Mineralt,
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WORLD STOCK MARKETS

AMERICA

Oils and chemicals top the bill

WALL STREET

A STEADY FLOW of good corporate results helped inject some sta-bility into Wall Street stock prices

At the close the Dow Jones indus-

age closed down 5.39 at 2,270.60 on end the transportation at costed a 3.37 gain to 927.46.

Sears Roebuck turned \$% down to an early \$1% but closed on \$% lower at \$80 in thin trading while Dome

services group, traded \$1/2 lower to it. The group showed a recovery over the lest three months but its

with results: SmithKline Beckman, the ethical drugs maker, advanced olume of 1392m shares compared \$% to \$102% in reaction to the surge

> Schering Plough, the pharmagroup, managed an early gain on its \$1.45 first quarter earnings per share (against \$1.17) but slipped lat-

manufacturer, jumped \$2 to \$85 in cent jump in first-quarter figures n, traded on the American

with the former slipping \$1 to \$30% after revealing first quarter figures and the latter dropping a fresh \$2% that exceeded most analysts fore- CANADA

\$42 on its modest first-quarter prof- tape manufacturer, recorded a 12 surged \$3% to \$42 while Coleco, the

Church's Fried Chicken, the fast food group, prompted a 5% retreat to \$11%. McDonakd's the leading

Polaroid, the instant photography 79 cents against 52 cents and traded

cluded McDonnell Douglas, down

and Nomura Securities Y60 lower at Y5,850. However. Long-Term Credit

Bank and Nippon Credit Bank jumped Y2,000 each to Y28,200 and

lated stocks. Ajinomoto fell Y90 to

30 cents to C\$1.80 in heavy early

The gold index surged, and in the mining sector Dome Mines rose C\$1.00 to C\$21%, Lac Miner-

moved to 6% near the close.

Rates on treasury bills were mixed. Three-month bills reversed her at 6.55 per cent.

ASIA

Nikkei falls back after topping 24,000

AN EARLY SURGE by export stocks took the Nikkei average briefly above 24,000 for the first time in Tokyo yesterday, but shares fell back to close lower due to waripess about the high level of prices, writes Shigeo Nishtonki of Kiji

on, but finished 43.13 off at

yen's decline against the dollar and the fact that only three categories of Japanese goods were subjected to 100 per cent penalty tariffs by the US in retaliation for alleged Japa-nese violation of a bilateral chip

Sony Y110 to 2,010. Hitachi jumped

Y4,850, Fuji Bank Y90 off at Y4,050 SINGAPORE

SMALL INVESTORS sought blue chips in Singapore, taking the Straits Times industrial index up 8.78 to 1,100.91. However, trading

40 cent rise to S\$13.20, Si



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WORLD STOCK MARKETS

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AT			1	,	
the bil	AUSTRIA	GERMANY	SPAIN	AUSTRALIA (Continued)	JAPAN (Continued)
ATTE U	April 14 Price + or Sch%	April 16 Price + or	April 15 Price + or	April 26 Price + or Appil -	April 20 Price + or yes
~1	Coeffer 3100 +40 toterselel 22750 -18	AEG-Telef 315.00 +2 Alflanz Vers 1818.00 +13 BASF 275.70 +0.2	Banco Bibao	News 22 +0.7 Normale Pacific 3.60 -0.7 North Bits Hill 3	Nippon Selko
CAN	Janathunziawar (1880) +50 '	Bayer 310.00 +1.2	Banco Hispano 593	Chithridge 0.72	Nippon Sacel 376 +1 Nippon Sulsan 586 -26 -26 Nippon Sulsan 655 -10 Nissan Motor 610 +5 Nissain Flour 1020 -80 -80
CANADA	Perimosser	Bayer-Hypo	Banco Popolar	Pacific Decitor	Nippon Yesen
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Section of the sectio	BELGIUM/LUXEMBOURG	Brown Boveri	-(MICHOEL	Santos 5.04	Otympus 990 +5 Otuda Coment 710 -24 Orient Finance 1390 +150
Secretary of the party of the p	April 26 Price + or	Denucca 492.00 =-9	Derdsero	Thos Natwide 4.6	(C1000561(1850 (+180
Marchael Ton Bare and	B.S.L	D'sche Babcock		Wasters Mains 9.94 -0.16	Ricoh
Nouse March 6	Bank int. A Lux 14800	Feld Muchle Nob 299.00 +0.5 Henkeluman 497.50 +3	SWEDEN	Westpac 5 +0.05 Woodside Petrol 2.15 -0.05	Samo Elect 420 +9
	Cockerill 141 +1	Hospitel 747.50 -25 Hospital 277.60 +0.6 Hospital 107.50 +1.4	April 16 Price + ar	Workski = 3.55 -0.05	Sepporo
The care of Care of the care o	Delicative 3345 +145 EBES 5270 -10 Fabrique Nat 1000 +5 GB Isno BM 1052 +12	Hotzmann (P) 418.50 ~9.5	AGA (free) 200 +2 Alfa-Lag/ 339 +11 ASEA (Free) 324 +3		Sektout Prefato
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the Color of the C	General Bank 4000 + 100 General Bank 4000 + 100 - 100	Kauftei	Atlas Conco	April 26 Price + or	S'tomo Bank 4050 -40
Seed Lake Color to	1000ken	Liude	Carlo (Free) 200 ++ Cellutes 377 +4 Efectoriax B 320 +3 Ericson 276 +7	Bank East Asia 20,70 +0,2	Store Bank 4850 -48 Sumitore Cerp 1210 +50 Sumitore Corp 1210 +50 Store Flect 1580 +50 Store Flect 1580 +50 Store Flect 1580 -27 Takina Rairina 1507 -127 Takina Rairina 160 -5 Tao Neerya Kyo 1950 +20 Taoka Bank 2600 -30 Takina Rairina 2860 -30 Takina Rairina 2860 -30 Takina Rairina 1960 -10 Takina Rairi
Ser. 1 . 40 (36) 46	Pan Holdings 11900 423	MAN	ESSETE	Cathy Pacific 5.90 +0.1 Cheung Kong 43.00 +0.5 China Light 21.90 +0.2	S'tomo Netal
	Royale Beige 5940 +90 Sot Gen Beige 3640 +90 566m 14300 -100	Mercedes Mid 837.00 +6.5 Metaligeset 329.00 +2	Phantacia 204	Hans Sans Bask 36.00m +1.75	Taiche Marine 1500 -120 Taire Kohe Bank 1860 -170 Taire Sank 3420 -100 TDK 3030 +290
See Assessed to the see	Solution +230	Muench Reack	Sant-Scania (free) 760 +10 Santvik	Hang Sang Bank	Tokeda 3030 -100
Total State of the	Stampick last	Pressseg	1 30cm English	HK Land	Teille 805 -5 Tap Newyo Kyo 1950 +20 Tokal Bent 2500 +70 Tokyo Marine 2560 -50
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	DERIKARK	Thresten 336.70 41.7	Volvo B (Free) 318 +3	//K relephant 33.00 +0.5 hotel Easily P 19.80 -0.2 -0.2 Jardice Math 22.50 +0.1 -0.1 Shik Props 13.70 +0.4 40.4	Tokyo Elect Pwr 9230 +430 Tokyo Eles 1490 +10 Tokyo Corp 1980 -70 Toppun Print 1560 490
	April 25 Price + w	Veta 257.00 +5. Veta 278.80 +3.3 V.E.W. 160.50 +0.5		SPACE EMIC MOSL	Torsy
	Baltie Skand 575 Cop Handelsbesk 262	Versio-West 425.00 -8 Volkswagen 344.50 +10.5	SWITZERLAND	TV-8 1270 +0.1	Toyo Selkan 2010 +10
	D. Sukkerfab 333 Den Oanske Bank 323 East Asiable 172	STALY	April 16 Price + or	Windsor led 10.20 +0.1	UBE Inds 453 +8 Victor 2000 +370 Yarnaha 708 +13
The second secon	Foresede Brygg	April 17 Price + ar	Adia but. 11650 +350 Alumbse 550 +15		Yamaha 708 +13 Yamahchi Sec 2990 +230 Yamanquchi 3960 -120
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	FINLAND April 16 Trick + er	[13 490 4995]	Jelmoli 3575	Assiri Chemicals	Surfi 26 Price + er
		Piretii Co. 7,840 +740 Piretii Spa 5,410 +59 Salpem 4,440 -25 Sain BPD 4,770 +190	Nestle	Bridgestone 840 -14 Brother lods 580 +13	Boustood Hidgs 4 +0.81 Cold Storage 3,90
ng 24,00	Kont 205.5	Toro Assic 35,400 +100	Pargesa Hidg	Casio Competers 950 +70	DBS 13.20 +0.04 Genting 6.90 +0.10
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a. Tolling a Market	Ul-Acutaine 336.50 +1.5 Estion 3351 +106	Philips 51.5 +0.5 Robeco 100 +0.2	Bell Resource 5.40 48.06 Bond Corp Hidgs 2.75 Borat 4.70 40.05	Konishiroka 608 +30 Kabata 508 +25	Anglo Am Cool
A CONTRACT OF STATE	Gen. Octidaniais 1319 +4	Robeco 100 +0.2 Rodango 1442 +0.4 Rollaco 91.7 -0.3	Brankles law 9.20 -0.1	Kurragai 1300 +40 Kyoto Ceremie 3840 +40 Marebasi 502	Barcleys Back
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to the second second second	Petroles Fra #96 +1.3 Pagget S.A. 2547 +26 13 14 15 15 16 16 16 16 16 16	Christiania Skinner 1999	Hardle (1)	Mitsul Tourse 658 Mitsulkoshi 1440 60 NGK Introductors 825 +10 NRto Sec. 3050 +190	\$A Grewers
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	82. Gottale 122.40 -5.4 - Seffency 475 -1 Skig Rossignet 1282 -9		Windian Color Later 1	Nippon Denes 200 +116 Nippon Elect 1420 +90 Nippon Express 1540 -10	NOTES Priors on this page are as quotest on the individual exchanges and
	Skir Rossigned 12/12 -1 Teleporth Elect 24/20 +70 Thompson (CSF) 17/2 -1	Mountly Musico	1930 -0.2 Mile 320 -0.05 Marrie Nicklest 425 -0.25	Nippon Kogales 675 +71	bearing on the independent of the follows was designed bearings to the control of the follows was designed to the follows of t
	104 +D	Orkia Borreguer 440	Mayne Nickiess	Nippen Off	or Excitotis. In Exalt. Price in Krange.



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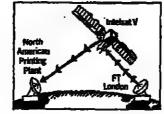
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Indices															
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Transport	924.09	921.37	914.90	932.90	(9/2) 961.48 (6/4)	(154) 816.38 (2/1)	961.48		AUSTRIA Credit Abbien (30/12/84)	199.06	197.86	198,89	200.34	230.60 (2/1)	196.20 (1/4)
Utilities	204,11	199.39	192.63	196.58	227.83 (2271)	206.36 (9/4)	227.83	10.5	BELGIUM Brotsels SE (1/1/84)	4534.96	4506.41			4589.92 (13/4)	3967.86 (9/1)
♦0ay's High 2307.5 3	(2293.)	19) Low	2243.32	(22)3.64)					DERMARK				440.7-	130000000000000000000000000000000000000	1
STANDARD AND PO	DRS 1 286.91	284,44	Í 279.16	285.62	301.95	246.45	301.95	5 4.40	Corpentages SE (3/1/83)	(6)	6)	197,30	197.95	217.57 (22/1)	189.64 (6/1)
ladestrials	332.76	330.62	324.50	331.70	(6/4) 349,49	(2/1) 274.58	(6/487) 349.45	1 (1/6/32)	FINLAND Unites General (1975)	(c)	510,2	510.3	500.6	5103 (144)	425.2 (5/1)
Financials	27.94	27.64	27.25	28.01	(6/4) 31.51 (6/3)	(20) 27,49 (20)	_	8.64 (1/20/74)	FRANÇE -CAC General (31/12/92)	450.1 113.7	446.31 112.9	444.5 112.2	447.4 112.7	460.4 (26/3) 117.2 (26/3)	392.6 (2/1) 97.8 (2/1)
NYSE Composite	162.59	161.03	15831	162.14	171.08 (24/3) 342.23	141.01 (2/1) 267.49	171.00 (24/3/87) 342.21	1(25/4/42)	GERMANY	203-7	146.4	112.2	112.1	111212031	4/8/21/
Arger Mist, value NASDAQ OTC Comp	328.94 419.46	927.05 416.32	926.11 413.19	934.08 423.71	(6/4) 439,64 (20/3)	(2/1) 153.26 (2/1)	64487	1 (91272) 54.87 (3/1072)	FAZ Akties (31/12/58) Connerchank (1/12/53)	597,52 1809.9	596.67 1808.9	583.46 1770.1	577.37 1752.9	676.84 (6/1) 2048.3 (6/1)	538.32 (19/3) 1633.8 (19/3)
	Щ	Apr. 10		r. 3 1	Nav. 27		at 980 (at		HONG KONG Hang Seng Bank (32/7/64)	2721.12	2693,62	2448.35	2708 94	2939.05 (5/3)	2449.BS (20/1)
Dow Industrial Div. Yie	lá	2.86		2.80	286			3.64	ITALY Basca Cost, (sal C)972)	751.13	734.21	737.17	723.33	751.13 (16/4)	673.60 (3/3
		Apr. B	Ap	<u>r. 1</u>	Mar. 25		ar 200 (2)			/21-15	15.21	12121	/233	733.13 (1991)	8/380133
S and P ledestruit Div.	Yield -	247 22.12	2	1/3	2.44 22.16	ــــــــــــــــــــــــــــــــــــــ		3.11 16.56	JAPAN** Nititel (16/5/49) Tokyo SE flew (4/1/68)	23868.4 2141.19	2351.07 2104.49	2352.15 20%,92	2291.56 2017.24	23868.1 (16/4) 2141.19 (16/4)	18544.0 (13/1) 1557.46 (13/1)
	Vitylges r. 16 A		Volume pr. 14	Issues Tri	i	EW YOU bgr. 16 1,973 1,184	Apr. 15	Apr. 14 2,007 155	NETHERLANDS ANP CBS Set (1970) ANP CBS Indust (1970)	286.0 264.6	281.81 261.2	3536 2635	285.1 264.0	293.4 (9/4) 274.9 (5/1)	257.7 (261) 245.7 (261)
New York	LAG .	15.26	20.68 165.37	Rises Falls Linghange New High		700 277 271	1,976 1,119 524 333 9	1,648 204 11 124	NORWAY Osio SE (4/1/83)	6	423,75	422.24	424.24	43473 (1340)	363,98 (2/3)
				New Low		14	57),	124	SINGAPORE Straits Times (30/12/66)	1095-16	1094.76	1101.05	1104.55	1204.35 (1341)	801.08 (2/1)
CANADA									SOUTH AFRICA JSE Gold (28/9/78) JSE Indes (28/9/78)	[]	2265.0 1792.0	2242.0 1792.0	2240.0 1763.0	2265.0 (264) 1792.0 (144)	1785.8 (1993) 1423.0 (201)
	Agr. 16	15.	Apr. 14	15	Hig	19	U	Dely	SPAIN Magne SE (30/22/85)	(4)	200.27	234.33	234.95	258.95 (25/2)	212.04 (2/1)
Metals & Minerals Composite	2778.78 3786.5		2754.3 3773.4	2807.7 3839.8	2909.6 3881.2	10/4) (6/4)	1988. 3067.	2 (2(1) 8 (2(1)	SWEDEN Jacobson & P. (31/12/54)	2672.20	2637.30	25%.80	2602.10	26.72.20 (1641)	27.7.7.34 (28/2)
MONTREAL Portfolio	1888.9	1872.5	1857.1	1891.2	1935.0	(6/4)	1534.	3 (2/1)	SWITZERLAND Swiss Bank Corp (31/12/58)	591.3	589.01	585.8	588.8	603.3 (6/3)	564.5 (25/2)
_		YOR	K AC	TIVE	STO				WORLD M.S.Crokel Lett CJ/1/709	_	455.7	453.3	485.1	455.7 (1641)	341.5 (2/1)
Thursday 3, 18M	Recis traded 740,600 9772,100 482,400 307,500 117,500	241	on day	Geoeral k Aesta Life Buson IÇN Phan Pasnie M		Bitocies traded 2,030,200 1,967,500 1,6631,700 1,631,700	557 687 134	Change on day +16 -16 +216 -316	Base values of all ladices 254.3 and Australia. All Poor's—10; and Toronto C Portfolio 47/83. † Exclut transports, (c) Clesed. (u)	are 200 Orditary Composite ling bond	except 6 and Me and Me s. 1400	russels 5 rtais – 50 rais – 100	E-1,000 0; NYSE 10. Toron	All Common—!	50; Sundard and 1975 and Mostreal

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FOREIGN EXCHANGES

Warnings from Baker help dollar survive poor data

THE DOLLAR nudged towards levels of Y140 and DM 1.80 last week, but failed to make a strong attack, in spite of depressing news

about the US economy. The market remained poised for an early assault on these psychological points, but drew back on fear of being caught in a bear squeeze by central banks ahead of the long Easter weekend. Sentiment suggested the dollar will continue to fall, but there was will continue to fair, but there was a reluctance to test this year's lows, after comments about exchange rate stability by offi-cials in the US, Japan and Europa. Mr James Baker, US Treasury Secretary, said he wanted the dol-lar to stabilise against the yen near its current level, and that the leading industrial nations all favoured this approach.

He stressed that a further fall of the dollar would be harmful to world economic growth. As a lead-ing economic spokasman for the fleagan Administration, dealers perhaps took seriously for the first time US determination to prevent a further fall in the value of its approximaof its currency.
Until then it was suspected Mr

The very large US trade deficit, and growing trade friction with Japan had previously suggested the administration was prepared

ence the Federal Reserve was determined to halt the dollar's

slide.

Dealers are well aware of Japan's desire to stem the dollar's fall, and tend to regard remarks by officials in Tokyo with a degree of scepticism, but noted that Mr Karl Otto Poehl, President of the West German Bundesbank, warned a meeting in Paris about the dangers of a further dollar fall.

still regarded as disappointing, and initially pushed the dollar lower, before central banks intervoued to reverse the trend.

| May | Sept. | May | Sept. | May | Sept. | May | Sept. | May | Sept. | May | Sept. | May | Sept. | Sept. | May | Sept. | Sept

Jame 123-06 123-18 123-00 122-08 Rept. 123-06 - 122-08 Dec. 123-07 - 122-09 Dec. 123-07 - 122-09 Dec. 123-07 (23,839)

Ciore High Law Proc.
Jame 195.60 195.70 194.75 195.50
Supe. 200.10 — 296.00
Epidented values 500 CJ_577
Provious day's open lat. 4,268 64,0149

CURRENCY FUTURES POINT-4 (FORESEK EXCHARGE)

Spot 1-mit. 3-mit. 6-mit. 12-mit. 14306 14276 14198 14105 1.5982

Close High Law 16255 1A270 1A200 1A1758 1A186 1A105 1A120A 1A130 1A050

usual sympathy with the dollar. The pound touched its highest level against the dollar since

December 1982, and held steady

Three-month interbank fell to

1.6200 2.6200

LIPPE-STERLING 525,000 \$ per 6

2 (S)

10.00 10.00

Prev. 93-06 92-04

19% NOTIONAL SHORT GALT 1100,000 640ts of 190%

the implications of apparent determination by the central banks, including the US Federal Reserve, to maintain the Paris agreement on currency stability. Dealers were not convinced the

correction in the US trade deficit, but were not ready to mount a new

attack on the currency.

This week sees publication o first quarter US gross national product growth on Thursday. Indications are that this is likely to disappoint, but after a period of sustained downward pressure, and warnings by officials about the continuation of this trend, the market is likely to remain wary o

Société Anonyme Enzembourg 37, Rue Notre-Da R.C. Luzembourg n° B 8378 Dividend Notice At the Annual General Meeting held on April 8th, 1987, the shareholders decided to pay a dividend of USSO 045 (4.5 dollar cents) per share, psyable from April 22nd, 1987, to shareholders of record on April 8th, 1987, upon presentation of coupon no 16.

KLEINWORT BENSON (JAPAN) FUND

Paying agents: Kredietbank S.A. Laxembourger 43 Boulevard Royal L-2955 Lixembourg

Kleinwort Benson Limited 20 Fenchurch Street GB - London EC3P 3DB

nson (Japan) Fund The Secretary

£	IN	NEW	YORK

Apr 17	Close	Previous Clase
£ Spot	1.6300-1.6310 0.42-0.40 pm 1.14-1.12 pm 3.33-3.27 pm	1.6310-1.6320 0.42-0.41 pm 1.14-1.11 pm 3.35-3.25 pm
Forward pres U.S. dollar.	ntown and discon	ents apply to the

SIERLIN	3 1170	EA				
		Apr. 16	Previous			
8.30 an 9.00 an 10.00 an 11.00 an 1.00 pn 2.00 pn 3.00 pn 6.00 pn	1 4 5	723 723 723 724 723 723 723 723	72.1 72.2 72.2 72.1 72.1 72.1 72.1 72.1			
CURRENCY RATES						
Apr. 16	State Fair %	Special Drawing Rights	European Currency Unit			

Apr. 16	温音学	Special Drawing Rights	Europea Currenc Unit
Startling U.S. Dollar Carnadian S Anstrian Sels. Belgian Franc Densiche Mark Nech, Golder French Franc, Isalian Lira Lapanere Ven Norwey Krone Spanish Pranc, Ewedish Krona Swedish Krona Irish Panz	기 4 8 7 의 부분의 제 6 두 맛있 1	0.79239 1.2899 1.2899 1.000 48.5211 NA 2.3426 2.64012 7.7933 1.668.79 1.087685	0.70320 1.1441 1.51441 14.610 43.059 7.8394 6.9150 1481.6 163.83 7.7673 145.6 1.7144 152.84 0.7778
"CS/SDR rate	FOT AP	rii 15: 1,713;	29

CURRENCY MOVEMENTS

April 16	Bank of England belox	Morga Gearan Changes
Sterling	72.4 301.1 78.5	NA
Austrian Schilling Belgien Frant Danish Krone	137.6 99.9 92.8	:
Deutsche Mark Swist Franc	146.4 173.2 134.5	
French Franc	71.6 47.9 222.6	:
Morean Assessed	channes: a	warran 19

Morgan Guaranty changes: average 1902-100. Back of England Index (Bace)

1413-1661	
OTHER	CURRENCIES

UINER CONNERVIES						
Apr. 16	£	\$				
Argentini	2,4975-2,5090	1,5350-1,5410				
Astrolia	2.2715-2.2755 38.2710-38.4860	2,3980-1,4000 23,5220-23,6400				
Finland	7.3820-7.1945	4.4100-4.4140				
Hoos Koso	215.55-219.35 12.4920-12.7050	7.8010-7.8030				
tren	115.95	70.55*				
Korum (Sth) .	1365.05-1377.40 0.47300-0.47360	834.30-843.10 0.29085-0.2909				
Lancembourg	61.35-61.45	37.60-37.70				
Malaysia Mexico	4.0365-4.0470 1866-15-1885-25	2.4815-2.4835 1147.00-1158.00				
N. Zenland	2,8000-2,8100 6,0985-6,1040	1.7210-1.7260 3.7495-3.7505				
Shoapert	14670-3.4775	21335-21365				
S. Af. (Cm)	3.2600-3.2820 5.0445-4.2075	2.0920-2.0120 3.1010-3.2000				
S. At. (Fit)	55.00-55.30	33.85-33.95				
UAE	5,9735-5,9785	34725-34735				

FORW AGAIN					
	Spet	1	3 maks	é wils	12
US Dodar D-mark French Fr. Swiss Fr.	14310 29525 98225 24350	1.6270 2.9385 9.8103 2.4222	1.6198 2.9110 9.7867 2.3992	1.6105 2.8740 9.7630 2.3666	1.5982 2.8049 9.7382 2.3097

Paul Volcker, chairman of the Federal Reserve Board, was a lone voice in Washington, concerned about the dollar's decline.

to ward off protectionist moves in Congress by looking for a balance in US trade through a weakening of the dollar. In Tokyo Mr Satoshi Sumita,

In general US economic news was not encouraging, but the mar-ket was acutely aware of the political nature involved in any further dollar decline. 'A February US trade deficit of

EMS EUROPEAN CURRENCY UNIT RATES For recently % change

	central rates	against Ecu April 16	central	adjusted for divergence	Divergence timit %				
Agian Franc Inish Krone Inish Krone Inish Franc Inish Franc Inish Guilder Inish Punt Illan Lira	42.4582 7.85212 2.05853 6.90403 2.31943 0.768411 1483.58	43.0559 7.83947 2.07828 6.91503 2.34486 0.777780 1481.63	+1.41 -0.16 +0.96 +0.16 +1.10 +1.12 -0.13	+0.98 +0.59 +0.53 +0.53 +0.65 +0.65 +0.65	± 1.5344 ± 1.6404 ± 1.0981 ± 1.3674 ± 1.5012 ± 1.6684 ± 4.0752				
eanges are for Ecu, therefore positive change denotes a week currency. Businest calculated by Financial Times. XCHANGE CROSS RATES									

E S DM YEN F.Fr. S.Fr. H.FL Line C.S. B.Fr. 233.3 9.823 2.435 3.333 2105. 2.149 61.40 143.0 6.023 1.492 2.043 1291 1.317 37.65 0.339 0.552 1. 79.00 3.327 0.825 1.129 712.8 0.726 20.80 4.287 6.992 12.66 1000. 42.11 10.44 14.29 9023. 9.211 263.2 1.018 1.660 3.006 257.5 10 2.679 3.395 2143. 2187 62.51 0.411 0.670 1.213 95.79 4.034 1. 1.369 8643 0.862 22.22 0.886 69.99 2.947 0.751 1. 631.5 0.645 18.42 0.775 1.403 110.8 4.667 1.157 1.584 1000. 1.021 29.18

0.645 0.759 1.374 108.6 4.572 1133 1.5551 979.5 1 1.629 2.656 4.809 379.9 16.00 3.996 5.428 3428, 3.499

ten per 1,000: French Fr per 10: Lins per 1,000: Belgian Fr per 100. EURO-CURRENCY INTEREST RATES							
Apr. 16	Short, term	7 Days' notice	One Morth	Three Mostle	Six Mosths	One Year	
sering S. Dollar Dollar Dollar Dollar Senter	# 4 4 10 10 10 10 10 10 10 10 10 10 10 10 10	94-94 94-94 64-64 54-65 34-6 74-84 74-84 74-74 64-74 10-104 NA	94-94 64-54 64-74 94-34 35-34 85-34 85-34 85-74 64-4 104-104 35-34	94 45 74 54 54 54 54 54 74 74 74 74 104 104 104 104	98-98 68-68 78-78- 58-38- 38-44- 88-84- 78-74- 78-74- 104-104 34-34	93-94 77-80 77-80 56-53 38-38 4-40 89-80 98-109 79-79 4-41 109-113 4-44	
Loos-Jerm Ex	redefines: Two	o wors 75-78	our cost: the	no vanes Ballia	per cent: fou	wars 81e-83	

out school, two days' notice. POUND SPOT—FORWARD AGAINST THE POUND							
Apr. 16	Day's spread	Close	One month	% p.a.	Tiree menting	% p.a.	
US	1.6230-1.6815	14305-14315	0.42-0.39c pm	2.98	1.15-1.10 es	2.7	
Capada	2.1418-2.1507	21480-21490		2.40	1.20-1.07 pm	21	
Nacionalismos .	3.324-3.334	3.324-3.334	No. 144 per	4.28	34-37s and	4.2	
Belgium	41.13-61-45	61.35-61.45	14-9c pm		44-33 pm	2.5	
Denouge's	11,12-11,189	11.121-11.131	4-1 ore do	-0.74	2-2% da	-0.8	
إنحاويا	1.1035-1.1095	1.1050-1.1060		-1.84	0.38-0.60 ds	-1.7	
W. Gererally .	2943-2954	2.944-2.954	12-11-pt pm		474 form	5.9	
Portugal	227,45-228,93	227,95-228.85	63-149c da		246-376 dil.	-54	
Desig	207.05-207.97	207.45-207.95	83-100c dis	-5.29	265-300 dis	-54	
itudy	2104-2110	2104-2105	3 per lire per	0.86	6-1 pm	0.63	
Horway	11.03-11.114	11.16%-11.11%	Martin ore dis	-4.18	123-134 6	-4,7	
Transce	9.874-9.840	9811-9821	lb-1 c am		4-51 _s pm	1.4	
meden	10.261-10.314	10.30 - 10.31	le marie are dis	-0.35	party dis	-0.19	
	2324-2334	2121-2331	lie-ly on		37-34 pm	55	
Ameria	20,75-20,81	20,78-20,81			274-254 00	5.0	
betrerted	243-2444	243-244		6.17	34-30g pm	5.9	
				-	- 4 - B pm		

2.03c pm. 12-month 3.33-3.23c pm. **DOLLAR SPOT-FORWARD AGAINST THE DOLLAR**

Apr. 15	Duy's spread	Cione	One mouse	% PL	Torue mortis	₩ ₩
UK†	1.6230-1.6315	14305-14315	0.42-0.3% pm	2.98	1.15-1.10pm	2.76
indant)	1.4680-1.4735	1.4730-1.4740	0.69 0.63c pm		1.85-1.70 pm	4.83
Correcte	1.3355-1.3238	1.3180-1.3190	0.05-0.08c dis	-0.59	0.20 0.23 dis	-0.65
letteriate .	2.0425-2.0550	2.0420-2.0430	0.23-0.20c am	126	0.78-0.73pm	1.47
Belgium	37.56-37.71	37.60-37.70	Par-3 c da	-0.48	Par-5 dis	-0.27
Desmark		6874-6874	3,90-2,40ore de	3.77	5.80-6.30 64	-3.54
W. Germany .	1.000-1.0040	1.8105-1.8115	0.43-0.40pf pm	2,74	1.33-3.28 pm	2.87
Percent	140-140-2	1404-1409	75-125c dis-	-8.56	250 325 dis	-621
Spain	127.20-127.45	127.25-127.35	90-100c dis	8.95	270-295 da	-8.87
Nely	1291-12984	12904-12904	2,00-2,50Gre dis	-2.08	6.00-8.00 dis	-816
Norway		6.81-6.815	4,00-4.50pre db	-7.53	12.50-13.50dia	-7.68
France	6.02-6.06	6.02-6.0212	0.70-0.80c dis	-1.49	1.85-2.10 dia	-1.31
Swedet	6314-6334	6.311-6.324	1.30-1.50ore dis	-2.66	4.25-4.55@4	-2.76
Depart	142.80-143.55	142.90-143.00	0.35-0.31y pm	2.77	1.02-0.96 as	2.75
Austria	12,73-12,80	12.73-12.731	2,70-2.30gro pm	2.35	8.00-7.00 ps	2.35
Switzerland	1.4945-1.5055	1,4915-1,4925	0.44-0.39c pm	3.32	2.20-1.15 pm	4.14

He stressed that a further fall of the Bank of Japan, about \$13bn was expected, sales did not point towards any the dollar would be harmful to returned from the international although rumours circulated in marked economic recovery.

Monetary Fund meeting in the US ahead of Tuesday's The market was left pondering announcement that the shortfall the implications of apparent the implications of apparent would be as high at \$18bn. The published deficit of \$15.1bu was

The fall of 0.3 per cent in March falling, following over 18 months US industrial production and a of steady decline by the US rise of only 0.2 per cent in retail currency, without any sign of Sept 11.25 9.37 7.55 6.18 4.57 3.47 2.47 2.00 und, Call

Pets-June 0.00 0.00 0.00 0.00 0.00 0.03 0.30 1.42

LIFFE FT-8E 300 MMPEX FW1
Strike Calls -Last
Price Apr May
19250 3.74 6.06
19500 2.10 4.67
19750 1.00 3.51
20000 0.40 2.56
20250 0.13 1.26
20270 0.03 1.26
202750 0.03 1.26
202750 0.00 0.55
Estimated volume total, calls

PROVINCE OF MANITOBA (CANADA) 7% 1969/1989 UA 15,000,000

On Agent 7, 1997, Bomis for the amount of the 998,000 have been shown for retiremption in the armount of a Natury Patie.

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CHICAGO 12-27 91-27 91-00 90-05 29-12 28-22 28-00 Pres. 92-20 91-20 90-23 89-27 89-01 88-09 87-20 47-01 AIREY NEAVE MEMORIAL TRUST MESEARCH AWARDS

BARCRO-OLYMPIC : STRANDERS LIMITED NOTICE IS MEREBY GIVEN, pursuant to section 105 of the Insolvency Act 1995 that Meetings of the Sturreholders and Creditors of the above-ranged Company will be held at 6 St. James's Square, London SWIY 4LD on Friday May 1 1967 at 10.00 a.m. for the purpose of taving laid before them an account of the Londont of the Londont of the whating up dering the past year. Provides to be used at the Meeting must be lodged with the Unguidant not betwoman to the Londont of the Londont of the Records. April 10 1987 STATE LOAN OF THE KINGDOM OF THE KINGDOM OF HUNGARY
71-75 (Nov 2.75 per cost)
Starling Bonet 1926
N: M. ROTHSCHILD & SONS LIMITED amond that the Cospons due 1st Mary 1967 from to which have been sestend in London to the 1 Offer may now be lodged with there, Rised on seedal forms which can be obtained on applications with the received on any furnishment of the complete of the comp

Personal

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April 1987 US\$15.00 per copy by airmail

Publications Unit International Monetary Fund Washington, D.C. 20431

CURRENCY

VALUE OF

VALUE OF THE POUND

Write a book on: under National Lev

VALUE OF STERLING

COUNTRY

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#Rate is the transfer market (controlled). ## Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for Public Public and Essential Imports. (5) Preferential rate. (6) Free rate for knowy imports, remittances of money abroad and foreign travel. (7) Parallel rate. (9) Banknote rate. (10) Rate ports. (14) Nearty all Business transactions. (15) Nigeria, Auction price for dollar M/A. (16) Bolivia, New Currency introduced (Boliviano, worth Im Pesos) Jan 1, 1987.

Trade Indemnity

EXPORT CREDIT INSURANCE, 01739 4311.

0.6255

MONEY MARKETS

ondon maintains stability

stability by various officials

UK clearing bank base lending rate 10 per cent since March 18-19

LONDON MAINTAINED an sir of lower dollar and falling bond stability last week in spite of the prices continued immediately turnoil in US markets created by after the figures were announced, nervousness over the economic before comments about currency situation, including the continua-tion of a very large US trade deficit and the threat of a trade

war with Japan. Japanese investors sold the dol-

lar to hedge foreign currency risks on US Treasury boad holdings including Mr James Baker, US and were also large sellers of Treasury Secretary, led to a bonds shead of the trade figures recovery. on Tuesday. The trend towards a Despite the volatility in US mar-FT LONDON INTERBANK FIXING (11.00 a.m. April 16) 3 months U.S. dottare

taid 611 | offer 612 The fixing rates are the arithmetic means, rounded to the meanest one-sixteenth, of the bid and offered rates for \$10m custed by the market to five reference backs at \$11.00 a.m. each working day. The banks are National Westminuser Bank, Bank of Tokyo, Deutsche Bank, Bangoe Nationale de Parts and Morgan Giseranty Trust. BANK OF ENGLAND TREASURY BILL TENDER Apr. 16 Apr. 10

Bids on offer	£511m £100m £97.64	£306m £100m	Top accepted rate of discount Average rate of discount Average yield Amquat on offer at next tende	9.46199					
WEEKLY CHAN	WEEKLY CHANGE IN WORLD INTEREST RATES								
LONDON	Apr. 16	change	NEW YORK	Apr. 16	change				
Base / Atts 7 day Interbank 7 day Interbank Tressory Bill Tender Band 1 Bells Band 2 Bills Band 4 Bills Band 4 Bills	97. 91. 96.	Unch'd	Prime rates Federal Funds 3 Mth. Treasury Bills 6 Mth. Treasury Bills 3 Mth. C D FRANKFURT Lombard One mth. Interbank	74 64 5.71 6.08 6.55	Uncir'd Uncir'd0.330.15 Uncir'd Uncir'd0.10				
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One plotth	51 ₄ 51 ₈	=1 _ë Uncifd	DUSLIM One repositi Three month	12 <u>8</u> 12 <u>8</u>	- <u>14</u> -2				

London—band 1 bills matter in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 93 days. Rates quoted represent Bank of England strying or setting rates with the money market. In other centres rates are generally deposit rates in the domestic money market.

sector borrowing requirement for the last financial year of £3.3bn was below the £4.1bn forecast in cent. as hopes were kept alive of a last month's Budget statement. cut in clearing bank base rates, it After a shaky period, on US there is an early general election. **MONEY RATES NEW YORK** 74,725 Fed funds at intervent 3.75-3.90 774-8 35-34, 5-3-54 3.96875 10-109₂ 774-77₃ 127-1274 3.75-3.85 3.75-3.85 **LONDON MONEY RATES** Three Months 911-92 94 94 94 94-2 쮯

kets, London shrugged off the uncertainty. Gilts regarded the rates eased, as sterling held situation across the Atlantic with steady and showed none of the

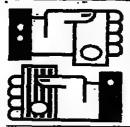
breeze, but then concentrated on

encouraging UK political and eco-

Unemployment fell in March, creating hopes that the figure will soon be below 3m, and the public

Treasury Brits (sell); one-month 91½ per cent; three-months 92-per cent; Bank Brits (sell); one-month 91½ per cent; three-months 92-per cent; Treasury Brits Average tender rate of discount 94½ per cent; three-months 92-per cent; Treasury Brits Average tender rate of discount 9.46.19 p.c. ECGD Friggt Finance Schmen 1974 for the 1974 per cent from April 1, 1987; Sank Deposit Rates for sums at seven 1974 matter, when the per cent sums at seven 1974 matter, when 1974 per cent sums at seven 1974 matter 5 per cent. Certificates of Tax Deposit (Series 6): Deposit 1200.000 and over help safer one month 9 per cent; one-three months 9½ per cent; three-six months 9½ per cent; six-nisa months 9½ per cent; and 1974 per cent; brits 1974 per cent; b

FINANCIAL TIMES



ON JAPAN, PUB

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April 1987

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The rapid growth of international securities markets is waking up domestic stock exchanges and bringing

a better service to companies and investors. But, as Euromarkets Editor Alexander Nicoll reports, the strains are beginning to show in cut-throat competition, management upheavals and cultural misunderstandings.

Waming signs in global game

VISIONARY PERASES, such as globalisation of securities markets" and "serving customers in a single world market-precedure. place," are now commonplace among the public utterances of

among the plune unclasses of top international bankers. Individual capital markets have, indeed, become far more closely related to each other, mainly through innovations such as swaps; interest-rate and currency. Swap volume such as swaps: interest-rate and corrency swap volume reached \$300bn in 1986, according to estimates by Credit Sulsse First Boston.

Liberalisation has opened up many domestic markets to new instruments and to new participants, often from abroad Meanwhile, the Euromarkets the proteives for the global markets.

prototype for the global market-place—have continued to show remarkable expansion and in-

Investment banks have put much emphasis on their ability to provide services globally, and have consequently put significant effort into building up coordinated presences in the US, London and Tokyo markets as wall as elsewhere.
Yet there remain a number of

precedented teval or competi-tion leading to an extraordinary shaving of profit margins. Bank-ers say that much international capital market business is un-profitable, but is undertaken because it may lead to other business—which may also be unprofitable. Clearly, this could eventually force many to drop

In London's newly deregulated Stock Exchange, securities firms have quickly found that it is not easy to be all things in all markets: the Midland Bank group, for example, has already withdrawn from equity market making market-making.
The rapid rise to prominence

of Japanese securities houses and banks in the Eurobond mar-ted with Nomura International capturing first place in primary issuance in the first quarter of 1967—underlines the fierce

Second, the massive expan-sion of banks and securities houses outside their home con-tres has produced management and personnel problems. Cultuwarning signals, which provoke and personnel problems. Cultudoubts about whether the pace ral differences arise not only of globalisation can continue between houses of different



Tuesday April 21 1987

International **Capital Markets**

nationalities operating in the same market, but within the houses themselves.

The London operations of Citicorp and Salomon Brothers have suffered a significant number of high-level defections in recent months; and the dismissal by Merrill Lynch of a senior executive in London, following insider-trading allegations in the US, has pointed to the difficulties it has experienced in its operates expansion.

seen a fairly high turnover of dealers moving from one house to another, but the pace within the last year, as young professionals have been lired by sky-high salaries, has been frantic. Some houses could consequently be finding it difficult to maintain a sound base for their continued expansion.

Third, the process of liberalization has not been uniform. Disputes such, as that between Britain and Japan over access to

overseas expansion.

Britain and Japan over access to based activities of the EuromarThe Euromarkets have always each other's markets—as well as kets are about to undergo com-

particularly if there were serious financial accidents or changes of governments.

At the same time, there are moves towards more co-ordinated regulation, so the involving the US and UK. The London-

Economic outlook

Equity-related bonds Floating-rate notes Fundollar fixed rate bonds Eurosterling bonds Yan bonds

Though the economic environ-Though the economic environ-ment which has produced these conditions—steady economic growth, falling inflation, rising corporate profits—persists in most countries, markets must al-ways be vulnerable to correc-tion. This is particularly the case when serious imbalances furability of globalisation will

borrowing on international as a whole and will remain as a capital markets rose 17.4 per salutary lesson that end-invescent last year to \$301.2bn from tors must be found for innovators with under the control of the c

potential issuance of \$55.6bn were arranged last year, compared with \$11.2bn in 1985, and international equity issues jumped to \$11.3bn from \$2.3bn. The expansion of international bond market issues from \$167.7bn in 1985 to \$226.4bn last year—three times the 1983 total—came despite the fall of the dollar throughout the year, and internal rows in the market was read to the dollar throughout the year, and internal rows in the market worries well as a sharp fall in the share year, and interest rate worries in the latter part of it. On a net basis, issues rose from \$131bn in 1885 to \$161bn in 1888, even though early redemptions more than doubled to \$41.1bn. The Euroyen market has become an increasingly important sector. A decline in floating-rate note

issues was more than offset by an increase in equity-linked bond issues, which doubled to

The rapid growth of Euro-commercial paper into a reasonably mature market has been at the expense of note issuance facilities, which will be seen, in retrospect, as a tran-sitional, stage towards the prehensive regulation for the first time, as a result of new UE investor-protection law.

Foarth, the expansion of international business has taken place in a long bull market, with interest rates falling and stock markets booming around the world. Now, few believe US interest rates can fall further, and there have been repeated fears that the Federal Reserve might even force rates up by tightening credit policy to head off inflationary pressures

D-Mark bonds French franc bonds nternational equity trading Futures and options Export finance

Syndicated Eurocredit Developing-country debt setbacks in its history last year setpacks in its nistory last year when trading in an entire \$17bn sector, that of perpetual floating rate notes, seized up. The failure of the paper to be firmly placed with investors rebounded on the professionals, who were washing the paper round among themselves and conse-quently could find no bottom

when a self-off began. have built up, such as annual

The crisis caused losses for second houses as well when markets begin to fall, the as for the Japanese banks, as for the Japanese banks, which remain the largest holdurability of globalisation will be tested.

So far, however, the picture has remained one of rapid growth. According to the Organisation for Economic Coperation and Development, of the floating-rate note sector borrowing on international as a whole and will remain as a salutary leason that end, invest.

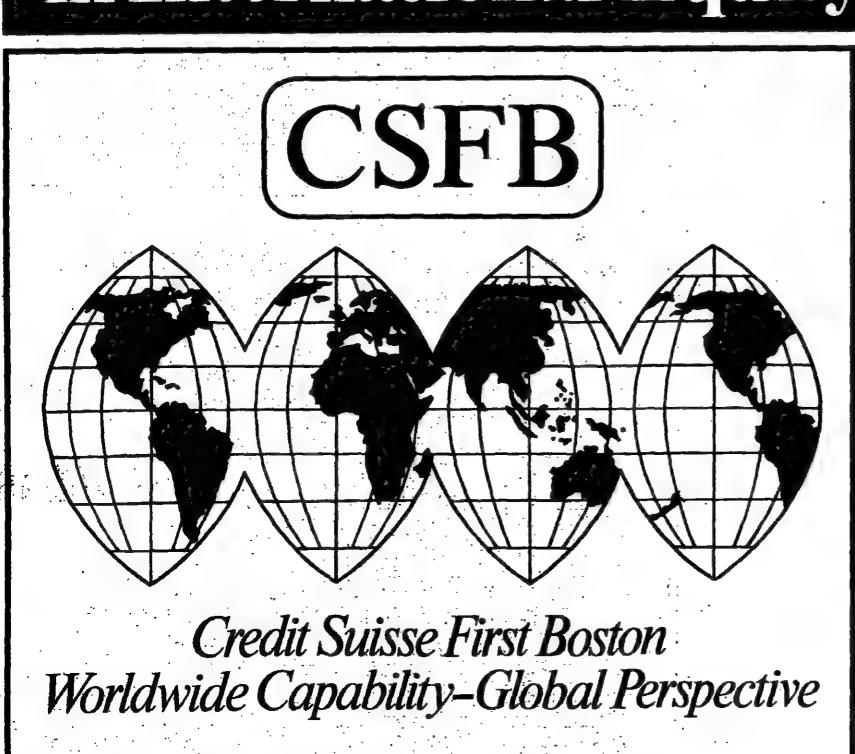
> well as a sharp fall in the share price, there have also been suc-cess stories: the international portions of major British and French privatisations have, for example, been very received.

Amid the reforms of the London markets, international houses have essentially taken over the Stock Exchange. They have ambitious plans for it to become the focal point of international share trading through a new enternated share questions. a new automated share quota-

ing out of last October's Big Bang, are the best example of the disappearance of barriers between domestic and international markets. Foreign firms, previously strong in the Euromarkets but barred from the Stock Exchange, are now ective participants in the UK

This phenomenon can produce strains. But so far, it has shown globalization shuting up a sleepy and relatively inactive domestic market and introducing competition which should reduce costs for account of the costs for ac

Undisputed Leadership in International Equity Placements



Since January 1, 1986, Credit Suisse First Boston, as lead manager, has raised \$6.6 billion equivalent through 70 international equity and equitylinked issues.

These transactions:

- have ranged in size from \$6 million to \$257 million for 57 issuers from 13 countries.
- included 39 debt with warrants and convertible transactions as well as 31 stock offerings of both voting and non-voting shares.
- were designed to meet the specific needs of issuers and the particular requirements of investors.

CSFB is uniquely experienced in international equity markets.

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Economic outlook

OECD counsels patience in tackling imbalances

national policymakers in 1987 remains the need to tackle major world current account lances, while maintaining accord

mic Outlook in December. The OECD warned of the dangers of impatience with the pace of reductions in large surpluses and deficits which could either provoke disorderly fereign exchange market conditions or exchange market conditions or is based largely on the problems of digesting the effects of rapid currency movements—the boost

It argued that either could impair the strength of world growth, forecast at about 2% per cent in OECD nations overall in 1987, after little more than 21/2 per cent growth in 1986. "It is therefore important for national authorities to agree—

and to be seen to agree—on the international requirements for edjustment over the medium term, and to pursue the policies which flow from these," it said, The subsequent Paris meeting of the Group of Five and Group of Seven leading industrial nations at the end of February addressed itself to the mounting

addressed itself to the mounting suxiety in currency markets about persistent trade imbalances and the status of exchange rate policy.

Dubbed Plaza II by Mr Nigel Lawson, Britain's Chancellor of the Exchequer, the Paris according to the exchange rate promitments to exceed the property of the exchange the Exchequer, we reaffirmed commitments to economic cooperation and the economic monitoring of economic performance through a set of recognisable indicators. There was also a new commitment to stabilising currencies at around

the levels prevailing at the time.

An agreement to intervene An agreement to intervene jointly to pin currencies down in these renges, signed by the Group of Five nations and Canada, was the successor to the pact signed at the Plaze Hotel in New York in September 1985 which agreed to force the dollar's value down.

February's agreement aimed to bring at least a temporary end to that process and succeeded in beeping currencies stable for a few weeks.

However, mounting trade fric-

However, mounting trade friction between the US and Japan
provided the backdrop to a
severe test on the accord in late
larch and, despite widepread
by an appreciation in the West
central bank intervention, the

against the yen. It also started to waken against other major cor-rencies at the heart of the Paris

low inflation and strengthening the momentum of output and employment growth.

So wrote the Organisation for Economic Co-operation and Development in its last Economic Cottleb in December 17 to 18 t long enough to see more of the J-curve effects of the dollar's devaluation on the trade balance feed through.

The case for an "exchange rate pause," as the OECD puts it,

> to the price level in depreciating countries, the contract ary effects of demand changes in relative prices in both group of countries. "In addition, there is considerable uncertainty about the ultimate size of the effects of the large exchange rate changes that have now occurred," the

> OECD said. Any further adjustment of policy is likely to depend partly on the speed and extent of the reaction of Japan and West Germany's trade surpluses and the US deficit to the dollar's 20 per

> cent fall since Plaza.
> This process has been painfully slow, provoking exactly the impatience in some quarters in the US which the OECD warned against. Nevertheless, most major forecasting groups expect some progress.
> The National Institute for

Economic and Social Research confidently predicted in Febru-ary that the US trade deficit would not persist for the rest of the decade. Its calculations suggest that if the dollar were to remain at its end-1996 level and domestic demand were to grow at 3 per cent in the US and overseas, the current balance deficit would be around half its 1985 value by around 1989. It concludes that, although the effects of the dollar's full so far are sizable, they are not enough on their own to restore current

balance equilibrium.
The National Institute fore-casts that the dellar will fail by a further 10 per cent in 1967 from the levels prevailing at the

same size and a rather more modest appreciation in the

Japanese yet. Most main forecasts stagest that dollar is only about 10 per cent above levels which would be sustainable in the medium-term both in terms of other major currencies and with a view to tackling the US current account deficit The ones of addressing cur-

account imbalances now ears to rest on adjustments in fiscal rather than monetary policy. Certainly, the broad offipolicy. Certainty, the troud offi-cial view appears to be that currency adjustment have played as large a part as neces-sary for the time being. The Parks accord packaged together a series of commit-ments on fiscal policy. The US promised to continue with promised to continue with efforts to cut its budget defeit while Japan and West Germany indicated that they would be prepared to make efforts to

oost domestic demand.
The fact that the world's economies have already embarked on a path of economic converg-ence should provide a favourable background to current attempts to stabilise currencles. Fiscal policies, inflation rates and the pace of economic growth in different countries are all moving closer together. Economists at Goldman Sachs International Corporation pre-dict that 1987 is likely to be another year of low underlying global inflation and one in which the divergence between high and low inflation countries

remains relatively small.
Goldman Sachs expects an increase in recorded OECD consumer price inflation to about 2½ per cent from 2 per cent in 1986, reflecting a rebound in oil prices rather than an increase in underlying inflation. On growth, it forecasts GNP within a 2 per cent to 3 per cent band in the US, West Germany, Japan, the US, West Germany, Japan, France and Canada.
The OECD forecasts that inflation is likely to stabilise through 1987 and into 1988 at an annual rate of some 3 per cent, the lowest since the first half of the 1980.

Domestic demand in the OECD area is expected to expend at an average annual rate of some 3 per cent from mid-1986 to early-1986 with GNP growth slightly lower.

US government securities market

Japanese established as traders

AN UNUSUAL calm had settled over the US government securpore the US government securpore cent long bond moving in an ities mariest until this month's extremely narrow 20 basis sharp fall. An unchanging economic out-look gave investors yield.

On only three days so far this war nave prices moved more

some profits, or at least cover buying brought on by year-end their fixed costs. But the lack of housekeeping, dealers have price volatility has turned even been doing a lot more business this make work activity into an

ing background, the largest, and most liquid, securities market most liquid, securities market in the world, with some \$2,106km of outstanding issues, continues to adapt rapidly to structural changes among its players.

Most important, this past year sovernment securities market government securities market in the special of \$135bs set in has seen a rapid encroachment of the Japanese. Not only have they consolidated their position as influential investors in US government securities, but they have also become firmly estab-lished as traders. Two Japanese firms, Nomura Securities and a decline in activity. This is Daiwa Securities, won last because the pool of outstanding December the coveted status of securities continues to grow as primary dealers. The Federal the US government funds its Beserve is expected to approve deficit. By the middle of last other Japanese firms this year, month the daily volume was Before the doldrums set in down to around \$85bn.

almost a year ago, the market had enjoyed a rousing raily dur-ing the first four months of 1986. The yield on the benchmark 30-year long bond, for example, fell from 9.30 per cent to 7.12 per cent, reaping investors a hand-some 25 per cent capital appreciation.
If dealers thrive on volatility.

appreciation.

If dealers thrive on volatility, they must have enjoyed last spring. Shortly before the discount rate was cut in April last year, bond prices leapt 3% points in a day. The next week they fell six points in what Dr Henry Kaufman of Salomon Brothers called "the largest one-week price retreat in history." Other troubles lay ahead. Japanese investors cornered the supply of long bonds offered at the Treasury's May refunding and the resulting squeeze cost. Wall Street dealers an estimated \$500m.

But the price volatility dampened down as the US economy settled info a low growthfow inflation rate rat. Between April and year end the yield on the 9% per cent benchmark long bond move in a narrow range of 7.10 per cent to 7.90 per cent. Life has become even more sub-

little reason for actively trading that portfolios.

With scant hope of retail investor interest picking up in market volatility has falles to the foreseeable future, dealers the lowest level since the mid-layer turned increasingly to the foreseeable future, dealers the lowest level since the mid-layer turned increasingly to the lowest level since the mid-layer among themselves, to cluded recently.

Since the last flurry of retail some profits, or at least cover buying brought on by year-end

whereas some retail intestors.

Against this lackinstre trading background, the largest, and from dealers only one quistien most liquid, securities market their usual volume of bonds, in the world, with some \$2,106km Federal Reserve statistics show with a record of \$135tm set in early March during the most feverish stage of the raily. The daily volume was still around \$100th at year end, although in absolute terms that represented a dealing by extinity. This is

interest from investors because will all come their way. The nobody can make a convincing Japanese are growing more in it. By threatening their business to diversifying from long-dated broker, the deal in 1985 brokers' commission exchange markets since the late representation of from their portfolios.

The broadening of their way. The dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening their business to broker, the dealers, including I in it. By threatening in i

As long as the dollar remains As long as the dollar remains stable, Japanese investors will continue to demonstrate a heal-thy appetite for US government scurities. Over the last few quarterly refundings, they have typically taken roughly one-quarter of the \$30bn of secur-tities of providence.

But the first signs of a falling dollar will bring renewed strong hints from the Japanese that they will refuse to buy more bonds. They are not keen to compound the considerable foreign exchange losses they have suffered on their existing holdings. The latest bout of concern struck at the February refunding but the dollar calmed down enough as the anctions began to ensure a full Japanese

Although Japanese investors have a huge volume of dollars to

As hard as they try, dealers pluses, US government bond cannot stir up much buying markets can no longer assume it interest from investors because will all come their way. The

investment dealers' activities on Wall Street. They are all building up additional capabili-ties in such areas as corporate bonds and mergers and acquisi-

None the less, an active role in government securities remains the bedrock of their activities, with primary dealer-ship the seal of high standing. The most practical way to achieve this status is to buy an existing dealer and about 12 organisations, are aspiring primary dealers. Just as the attractiveness of the fast-growing US government

the last-growing of government, securities market is drawing in more new dealers, so too is it causing a shake up among the brokers which "oil" the market by providing a system through which dealers can trade anony-

have a huge volume of dollars to mously.
deploy because of Japan's enormous current account surchanges by buying an existing

broker, renaming it Liberty Brokerage and offering other dealers, including banks, shares is it. By threatening to divert all their business to their own broker, the dealers rapidly forced late in 1985 a halving of brokers' commissions to \$39 per

The brokers have begun to rebuild their profits by cutting costs and making the most of growing volumes. The government securities market has enjoyed a near tripling in its volume of business over the past five years. Although total mar-ket volume has hit a plateau for now, the brokers are involved in a growing share of trades, currently around 55 per cent, and they look forward to resumed growth of total trading activity.

But the competition could be intense. Liberty Brokerage had remained a fairly low keyed operation while it cleared a series of regulatory and anti-trust hurdles. With those issues settled last month, markets are expecting it to become a more aggressive player. In present market conditions, a tough business will become even more ruthless.

Roderick Oran

Eurobonds and Euro-equities

Overcrowding inhibits new issues

THE EUROBOND market's ability to adapt to change—a quality for which it is renowned—is being tested to the full at the moment. In the secondary marmoment in the secondary mar-ket, dealers are having to com-ply with the first real trading rules they have ever come across, and more rigorous messures are mooted. Meanwhile, new-issue m

ers are finding it increasingly difficult to sell their traditional product—the Eurodollar bond product—the Eurodollar bond—and are searching around for more marketable alternatives. Some are locking beyond the bond market altogether to the more lucrative international equities market.

Their urgent used to diversify out of Eurodollar bonds can be explained partly by changes in investors preferences. The pre-

investors' preferences. The pre-longed decline in the dollar has sent non-dollar based investors ato other markets, while institutions with institution of institutions with institution to stay in the US Treasury bond market—because it is much more liquid than the Eurobond

But their reluctance to buy

investor demand, but competition for mandates has made unrealistic pricing widespread. The picture has been changing this year, however. Eurodollar bond issuance has dropped sharply, falling to only 36 per cent of the new issues total in the first quarter. But they have taken this reflects blockage in the market, and especially the floating rate note market, as much as

among syndicate managers.
Inevitably, the relative decline of the Eurodollar sector has been reflected in rankings in the closely-watched book running league tables. Houses setive in the so-called "currency" sectors — including those in the Eurosterling and Australian dollar markets, as well as the Deutsche Karl as well as the Deutsche Mark market — have tended to gain at the expense of some of the traditional leading houses who built up their position on the back of Enrydollar business. But the chief beneficiaries have been the Japanese houses, whose ascent up the league tables was highlighted when Nomura International toppled Credit Suisse First Boston from

Credit Suisse First Boston from first position at the end of the first position at the end of the first position at this year.

Part of these houses' success can be attributed to the popularity of the Euroyen sector this year. This has been fuelled by the increased participation of the Japanese institutions. Their limits on overseas bond investments has been eased over the past year, and

But their reinctance to buy cased over the hast year, and bonds equities have to be handled with kid gloves. The probabilities have been expanded dramatically—totalist quarter of 1936—nevertheles many new issues have fallen into neglect in the secondary market.

Overcrowding lies at the heart of the new issues market's problems. Not only has the output of bonds become too great for investor demand, but competition for mandates has made

order to buy market stare, making use of the vast profits ger, failed to explain the settle-accumulated from trading in ment and clearing arrangedomestic markets in Japan.
If the Japanese are set to
sweep the board in the new
issues market this year, Euroissues market this year, European and US houses can at least reflect that they have a new market to pin their hopes upon: the Euro-equity market. This is so-called because it involves applying Euroboad syndication techniques to international equity offerings.

Bankers are anthusiastic about the growth prospects for this market, which began in 1984 but has taken off over the past year or so, helped along by a number of government privatisations. Companies are increasingly easy to persuade of the advantages of inter-

the advantages of inter-nationalising their starcholder-base, and advances in technol-ogy have enabled international share trading to grow space. Fees on Euro-equity issues, are much higher than Eurobond issues—another inducement to

build up a presence in the mar-ket. But, compared with Euro-bonds, equities have to be hand-led with kid gloves. The prob-lens the market can encounter

ment and clearing arrange-ments for the new shares.
Since then, players in the Euro-equity market have been keen to stress the importance of giving potential co-managers enough time to consider their participations, and of measures participations, and of measures to ensure that the new shares are not lumedistely sold back

into the country of origin.
In the Eurobond secondary, market, the Association of Intermarket, the Association of Inter-national Bond Dealers has been busy over the past year devising new trading methods. If all the ideas that are mooted are put into place, the present informal telephone trading arrange-ments will be replaced by a fully automated price display and decling system; complete with trade matching facilities, automated confirmations, and a computer interface to the Euro-

computer interface to the Euro-bond clearing systems.

The impetus to these radical suggestions has come from two sources: first, a general recogni-tion of the need to improve the liquidity and transparency of the market, and transparency of the market, and second the reg-ulatory changes in the City of London associated with last October's Big Bang. The AIBD has seen that it needs to impose more rigorous price reporting rules if it is to fulfil its ambition of becoming a recognised investment exchange within the new structure in London. Prominent figures in the AIBD, however, are keener to stress the first reason than the second, for fear of being seen to export UK legislation to their

Suropean members. Since the beginning of this yaur, dealers in Eurodoliar straight bonds have had to report closing bid and offered prices in all bonds in which they making markets. Since March 2, they have been required to report highs and lows as well.

Regulators cramp market's growth THE SWAPS market has matured Worldwide deals are commonplace; documentation is being tanutardised; and the authorities have moved in to regulate. Swaps are agreements whereby two parties agree to exchange the payment or receipt of income streams. Deals can be arranged because the counterparties differ in the counterparties do the market crecently produced a cheap and then repackaging the market recently produced a set of standardised documents. "The new contracts will accelerate the process and the market of exchange the payment of the market trecently produced a set of standardised documents. "The new contracts will be countered to defaulter's payments. If interest the market recently produced a set of standardised documents. "The new contracts will be countered; counterparties of standardised documents. "The new contracts will be countered; counterparties of standardised documents. "The new contracts will be countered; counterparties of standardised documents. "The new contracts will be countered; countered to counterpart

Swaps are agreements them as assets with a different payment structure.

This process has been institutionalised by banks like Moreachange the payment or gas Guaranty which repackaged receipt of income streams.

Deals can be arranged because the counterparties differ in their views on the likely direction of exchange and interest rates; for example tion of exchange and interest rates; for example, a corpora-tion which believed that interest rates were set to rise might switch from floating rate debt to fixed.

debt to fixed.

Often swaps are arranged to take advantage of arbitrage possibilities. Companies can raise finance in the market in which they have a comparative advantage and then swap into the currency or interest benchmark they require.
The Eurobond market has

long had a symbiotic relation-ship with swaps; for a while around 80 per cent of issues were linked to a swap deal and nearly all issues in currencies like the Australian and New can now adjust their debt proinstruments should be weighted to determine their risk profile.
related.

currency swaps, fund managers
instruments which fall into the

swap. Asset swaps involve an rage opportunities.

investor passing on an income stream from a bond to a counned and matured, so the need currency options.

The form of the requirement investor passing on an income as the swaps market has wide exchange contracts and foreign stream from a bond to a counterparty and receiving payment has increased for the production of a standard format for that if one swap counterparty second of production of a standard format for that if one swap counterparty swap deals. The international were to default then the banks of production of a standard format for that if one swap counterparty swap deals. The international were to default then the banks of production of a standard format for that if one swap counterparty were formed in the middle would be faced with the production of a standard format for the regulators is the middle would be faced with the production of a standard format for the regulators is the middle would be faced with the production of a standard format for the regulators is the middle would be faced with the middle would be faced with the production of a standard format for the production of a standard format for the regulators is the middle would be faced with the middle with the middle would be faced with the middle would be fac in a different form in return.

Investment banks have swap deals. The International become increasingly sophistically sophistically which was formed in with the prospect of meeting the

a Denmark Deutsche Mark floatingrate note via a currency
swap and then transformed it
into publicly traded issues called Stars and Stripes, denominated in dollars and sterling
respectively. The new notes
offered investors a margin over
London Interbank Offer Rate
(Libert compared with a mergin Rate (Libid) paid on the original issue, as well as being more tradeable than the traditional

in addition to providing opportunities for smart investment banks, the growth in the asset swap market provides the opportunity for a more sophisticated approach to investment asset swap market provides the opportunity for a more sophisticated approach to investment for capital backing for problems by portfolio manage-balance sheet instruments.

The essence of the proposals sheet instruments sheet instruments.

But the real explosion in capi-tal markets in the last two years witch their fixed/loating mix and to take advantage of arbit-has been the growth of the asset and to take advantage of arbit-

visions, enabling the parties to concentrate on business terms,"

So the swaps market now has its own association and its own rules to complement its phenomenal growth volume has increased from \$30n at the end of 1983 to around \$300bn last year.

market, that is given a present value, based on what it would be worth if sold. Then, and this is the more contentious part, an estimate will be made of the potential future credit expo-

be calculated with a conversion factor, which will vary accorbut the image of an untrou-bled, fast-growing market is not a complete one. The regulators have moved in Market experts are still received to the contract. Interest rate swaps will carry a conversion factor of 1/2-1 per cent per complete year and currency swaps will have a sliding scale beginning with 1-2 per cent on a three day to one month contract, buil-ding up to 5-10 per cent on conding up to 5-10 per cent on contracts lasting one year or longer. Swap dealers were particularly unhappy about the inclusion of the potential exposure factor which they believe will merely force US and UK banks to widen spreads and thus allow their European and Japanese their European and Japanese competitors to undercut them. They believe that the inclusion of potential exposure and carrent exposure involves an ele-

ment of double counting which will make the whole process needlessly complicated

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25th March, 1987

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9¼ per cent. Debentures due 1992

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Sanwa International Limited

Vereins- und Westbank Aktiengesellschaft

Equity-related bonds

Back in favour after two years' rising markets

AFTER A year of record issuance of equity-related bonds into the international market, it seems hardly credi-ble that just two years ago there was concern that there would be no instruments to trade by the

Convertible bonds, mostly from US borrowers and brought to market in the late 1960s, were to market in the late 1960s, were starting to mature, and the stock of equity-related paper was in steep decline. "The liquidity of the market was starting to dry up in 1984-85, and we were becoming concerned that there would be no Euroconvertible market by the end of the decade," said Ms Sarah Allen, research analyst at Berisford Cresbale, which specialises in trading equity-linked instruments.



IT IS rarely possible to please both borrowers and leaders in any bond market for long. In the dollar market, declining is-terest rates for some years have enabled both issuers to find willing buyers at ever decreas-ing rates, and investors to make control prime on ton of their re-

capital gains on top of their re-latively high yields.

But this process has at last ground to a halt in the Eurodol-

ground to a nait in the Eurodol-lar fixed rate market. For, although interest rates were still falling early last year, by the summer they seemed to have approached the bottom of the cycle. Indeed, yields have been unable to break through the 7 ser cent barrier and have hered up somewhat.

What has happened since has put paid to those fears for now. Equity-linked bonds have al-ways been bull-market instruways been bull-market instru-ments, and the rising stock mar-kets worldwide over the past two years have brought such bonds back into favour.

Around \$22bn of equity-re-lated paper was brought to mar-ket in 1986, compared with just over \$7bn issued in the inter-national markets during 1985.

But the most remarkable fea-ture of 1986 was the surge in

ture of 1986 was the surge in popularity of bonds with equity warrants, the issuance of which rose five-fold to \$15bn, from \$2.7bn in 1985. In the first three months of 1987, a further \$75n of such instruments were brought to market.
The main reason for this

growth in equity-warrant issues has been the realisation of many Japanese firms that such instruments represent a cheap and effective form of finance. and effective form of finance.
Part of the reason for this has
been the growth of the swap
markets. The use of currency
swaps to create cheap finance is
well developed in the straight
Eurobond market, but because
of uncertainty about the timing of any conversion into shares

of any conversion into shares, swaps cannot be used with convertible bonds.

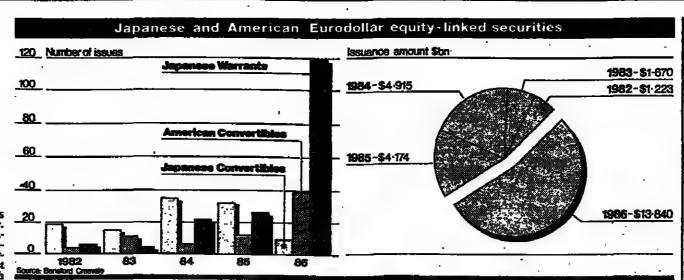
"Equity-warrant issues give you pure debt finance, and that's likely to be attractive with interest rates at record lows in

purchasers, the strength of the dollar in earlier years had given them currency gains to add to their relatively high coupons and capital gains.

Since the dollar started to fall in 1985, investors have been increasingly wary of buying dollar-denominated paper. So, when the fail in yields also ceased, they lost interest altogether, switching their attention to other currency sectors in the search for either higher yields or more stable exchange rates.

higher yields or more stable ex-change rates.

Borrowers, on the other hand, have seen the lower level of interest sees as an ideal time to lock into tarry chan fixed-rate debt, to been that interest costs down for years ahead. And many borrowers shirted their fundralsing from the Coating-rate sector, where they would



many currencies. You can lock in these lower rates with greater certainty with a debt issue with equity warrants, and you can swap the funds. You can't swap a convertible," said David Freud, of Warburg Securities.

The relative cheapness of the financing is delivered because the warrants and the bonds In this sense, warrants are a long-term alternative to the op-

tions markets.

Eurodollar fixed-rate bonds

Outlook uncertain while the dollar is under threat

developments to take this insur-

developments to take this insur-ance concept further. Morgan Stanley, for example, has de-veloped and issued warrants which are effectively calls and puts on an index of 20 US blue-

chip stocks. Apart from helping to get over the difficulty of using

were called prior to maturity in 1986, a rise from \$4.9bn in 1985. US corporate borrowers led the trend calling 55 issues. The effect of the investors strike in Eurodollar bonds has been to shift the relative yields between Eurodollar bonds and US domestic bonds, where in-vestors are generally not so con-cerned about the weakness of the currency.

the currency.

whereas, a few years ago, the best-rated borrowers could raise money in the Eurodollar market at yields lower even than the US Treasury's borrowing rates, a combination of the lifting of withholding tax on domestic bonds and the lack of interest has pushed up Eurodollar bond yields to as much as one percentage point above US Treasury yields for issues with the same maturity.

appeal to different markets, and are readily split. In rising stock markets, warrants giving holders the right to subscribe to shares at a fixed price, are an exciting, highly-leveraged, speculative play. Price performance of a warrant

can outstrip the underlying stock by many times.
But increasingly, warrants are being depicted as a device through which the most conservative of fund managers can insure portfolio performance. insure portfolio performance.
"We see the use of warrants as a whole activity that's just star-ting on this side of the Atlantic as people become more and more convinced about portfolio insurance," said Amir Eilon, of Morgan Stanley International, in London.

have been vulnerable to any rise in interest rates once more. So, issuing activity has been maintained at a higher level than demand for the paper would justify. According to Merrill Lynch, Eurodollar fixed-rate issues totalled \$59.85m in 1985, while the volume of floating-rate note new issues dropped from \$48.65m to \$39.25m. Since the turn of the year, though, new issues in the dollar actor have fallen well behind other currency deals.

Part of the reason has been the amount of older, higher priced paper which borrowers have redeemed early in order to refinance the debt at the lower rates now prevailing or to refire them altogether. Merrill Lynch etimates that \$11.85m worth of fixed rate Eurodollar issues

It's an area in which US fund managers are well ahead of their European counterparts. A typical insured portfolio, for example, would consist of government bonds and equity warrants (the equivalent of long-term calls), instead of purely stocks. An alternative would be to hold stocks and put options. In this sense, warrants are a While there are sophisticated warrant investors in Europe, Mr Eilon and others believe there is too much of a focus on the premium of the exercise price over the stock price, an impre-cise concept. In the US, the focus is much more on the volatility of warrants.

As Mr Andy Herbert, of Berisford Cresvale, explains. "When the price of a stock goes down, the warrants to buy that stock do not necessarily fall by an equivalent amount, because the

equivalent amount, because the premium rises."

In another development, issuers are discovering increasingly that they can reduce their cost of their own debt financing by issuing warrants into the equity of other companies. Here the question of credit risks becomes of heightened importance to the inned importance to the in-

regular equity warrants as a proxy for a put option (going short of a warrant is a treacherous business), the development allows a fund manager more easily to hedge the market.

But, as Mr Eilon says: "The whole concert is identical. Some investors have also ex-pressed concern that, particu-larly in the case of the Japanese market, the price of an underwhole concept of indexation is at its birth in the Euromarkets. lying share performs unusually well immediately before an Here they still pick stocks rather than the index."

The returns made from Eurodoliar bonds have there-

fore been less than those made in the US domestic market. In

1886, the return from Eurodollar fixed-rate bonds averaged
13.9 per cent, while that on US
Treasury bonds averaged 15.4

per cent.
In turn, that has had an effect on issuers' plans. Many have preferred to borrow in the US domestic market where yields

are lower, an option readily available to US corporates and to sovereigns and supra-

national borrowers in the Yank-At the same time, interest-rate swaps have been much har-

demand for floating rate paper.

The only real exception to the

der to arrange, both because of for some the relative imbalance in yields for the Eu and also because of the lack of are over.

equity warrants issue is brought

But the convertible debt mar het has also seen some develop-ments, most notably in issues by British companies brought in sterling. The final maturity of most of these issues is in the next century, but they carry an investor put option, usually after five years, which guarantees a yield of only a percentage point or so below an equivalent

traight bond.

These convertibles have found particular favour with Swiss investors, who benefit from their tax treatment. If the from their tax treatment. If the underlying share performs badly, they can put the bond at a premium, which is treated as a capital gain rather than as income. If the share performs well, then so does the convertible. well, then so does the converti-ble. From the issuers' point of view, the bond is really a bet that the company's shares will do well enough to stop the hol-ders putting the bond, and spread out the company's share-holder base.

lack of interest in dollar paper has been convertible issues.

Here, investors are attracted by the chance of sharing in the

booming equity markets around the world, while still earning a

on interbank bid rate. Underwriters argued that coupons far this year: a \$100m deal for like this were justifiable for Marine Midland. Sovereign credits, because they should trade not like bank comfort themselves with the FRNs but like issues in the US Treasury bill market.

the world, while still earning a reasonable yield.

The outlook for the market remains very uncertain. While the dollar continues to look under threat, a revival in interest from Eurobond investors seems unlikely. Many believe that a recovery in the dollar is inevitable eventually—but not just yet. If that recovery is delayed for long, it might coincide with the expected upturn in inflation and interest rates, which could then keep the market dull for tome time. The good times for the Eurodollar bond market are over.

Diminishing investor demand led underwriters to increase their positions in new issues, which proved to be destabilising for the market as a whole. The chain broke last December at its weakest point—in the \$170n market for perpetual \$170n market for perpetual \$170n market for perpetual issues; which are mainly issued by banks; because, in some in the market, one type of bond remains healthy: the mortgagasty may never be repaid.

Issuance of these types of bonds had surged during the second half of last year; according to Salomon Brothers, it reached nearly \$6.4km, a jump of over 215 per cent on the first-half volume.

Floating-rate notes

Rivalry triggers severe shakeout

floating rate note (FRN) market. A breakdown of confidence which was first concentrated on the perpetual issues but spread to bonds with fixed maturities, has virtually closed the new issues market since the beginning of the year, and at some points caused a suspension of trading almost across the board in the FRN market.

The market is used to a shake wirinally ceased trading as which was first concentrated on

problem. FRNs appeal mainly to banks, for which they represent replacements for loan business taken away from them by the growth of the securities

The bulk of such investors of the same of FRN market have been under pressure to pare borrowing costs to levels below those acceptable to this type of

investor.
The pressure has come from competition from two main alternative sources of funds: the Euro-commercial paper market. and the interest rate swap mar-ket, which enables borrowers to exchange the proceeds of fixed rate bonds for floating rate

money.

These factors produced everlower coupons on bank issues, the lowest point was reached with two FRNs for Denmark and the United Kingdom, launched late last summer. These had coupons fixed at below the Lon-don interbank bid rate. Under-

FRNs but like issues in the US
Treasury bill market.
The argument rested on the
assumption of liquidity in the
FRN market as a whole,
however. In fact, liquidity was
undermined by the knock to
confidence caused by the
appearance of aggressively
priced issues like this.
Diminishing investor demand
led underwriters to increase

HARD TIMES have come to the banking systems — UK institu tions were the earliest issuers. During the course of 1980 however, margins on new perpe

in the FRN market.

The market is used to a shake out now and again, but it has never before experienced one so severe and prolonged. What triggered it?

Most believe the competitive pressures in the new issues market were at the heart of the problem. FRNs appeal mainly to hear the surgest of the conventional FRN and the problem of th debt worries.
In the aftermath, only one

market maker has publich stated that it is closing down its FRN market-making opera-tions—Orion Royal Bank—but

pare favourably with those in the syndicated loan market. Dealers hope, therefore, that investors will come bargain-hunting especially as the end of the Japanese year (March 31) usually triggers renewed buying from the Japanese banks—key investors in this market.

But the episode has under-lined how fragile the liquidity of the FRN market is. During the crisis early in March, most dealers had to give up making firm prices to each other, and switch to dealing on a negoti-ated basis, as market makers were failing to answer their telephones to each other for fear of getting hit.
Only one sizeable conventio-

stantially over the past year anyway. According to Salomon anyway. According to Salomon Brothers, issuance in the Eurodollar FRN market declined by 20 per cent to \$38bn during 1986, after rising steadly for 10 years. About \$21bn of bonds were redeemed, as borrowers switched into

half volume.

From their beginnings in 1965, primary capital issues for banks posed problems for investors, not only because they were undated but also because they were undated but also because to give the issue a notional average life.

These problems

Amaged to a pool of mortingages, guaranteed by one of the US government agencies. The bond is serviced by cash-flows from the pool. Though the mortingages themselves are of varying maturities, they are rearranged to give the issue a notional average life.

So far, these issues have proved normalism.

Eurosterling bonds

WHEN ATTENTION turned from the dollar bond market, investors had to cast around for alternatives, and the Eurosteriling market has been one of the beneficiaries. The drawback for sterling, though, is that it falls neither into the soft-currency/high-coupon grouping, such as Australian dollars, nor in the hard-currency/how-coupon area such as Deutsche Marks and the Marks an High coupon and

ment ignore the chance to sell debt to overseas investors, and has been effectively dead for years ignored the tax-free-to-residents-abroad feature.

More recently the sharp moves in the gilt-edged market, bringing yields down sharply, has to some extent made borrowing in Eurosterling environment.

Because Eurosterling yields have lagged behind gilt-edged yields, it has not been possible to arrange swaps giving attractive borrowing costs to issuers. So the market has become more dominated by issuers who actually want sterling, such as UK corporates and building societies.

The former group of borrowers have also opened up a long.

year issue launched soon after the budget last year. At those

such as Deutsche Maris and yen, so it can sit a little oddly in popular, with investors been to get in on the booming UK stockmarket. To the issuers convertibility of a fairly firm currency is Eurostering's attraction. Apart from periods such as last autumn, when a sterling crisis prompted a rise in UK interest rates, just the worst mixture, sterling has been seen as an improving currency. As a result, investors can hope for currency gains on top of the yield and capital profits on their holdings. While in sterling terms the total return on Eurosterling bonds averaged 9.85 per cent, according to Merrill Lynch, the return when translated into dollars was 11.27 per cent. The further gains by the pound against the dollar in 1987 give investors yet more gains.

Borrowers were not slow to see this opportunity, and new issues of all types of Euroster-

see this opportunity, and new issues of all types of Eurosterling bonds totalled £6.9bn in 1986, compared with £4.3bn in 1985, Samuel Montagn estimates. Nor did the UK Government ignore the chance to sell debt to overseas investors, and most gilt-edged stocks issued carried the tax-free-to-resi-

The former group of borrowers have also opened up a longterm market in Eurosterling continue in vogue. But much
bonds. Imperial Chemical
industries led the way with a 17man launched toon after

needs of the international securities

highly specialised computer technology finance facilities, long and short-term securities lending and borrowing service primary and secondary market operations

multi-currency settlement including ECU

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ensure high liquidity in the second-

ary market. In this way these bonds have a major role to play in pension

and other investment funds seeking

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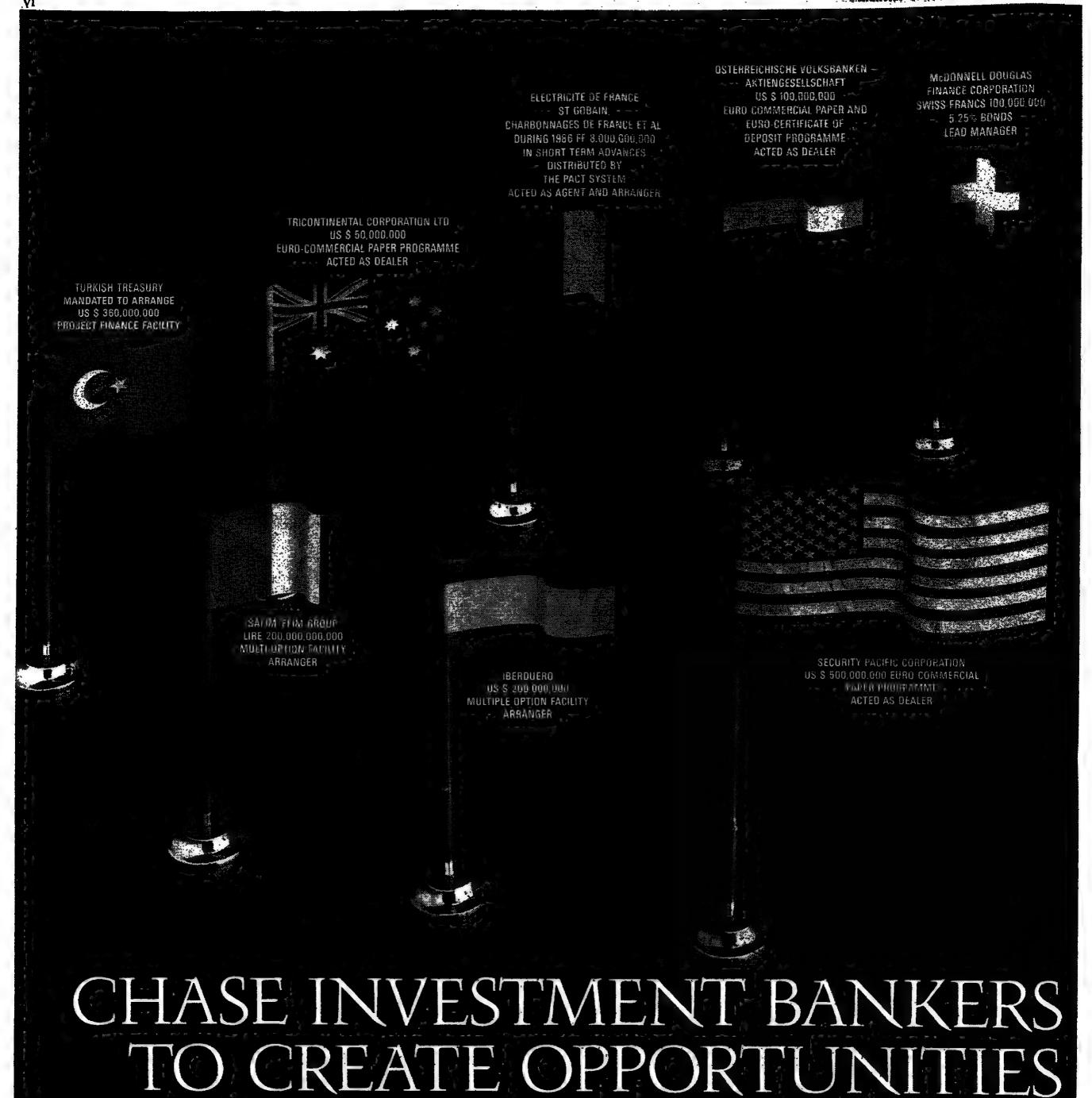
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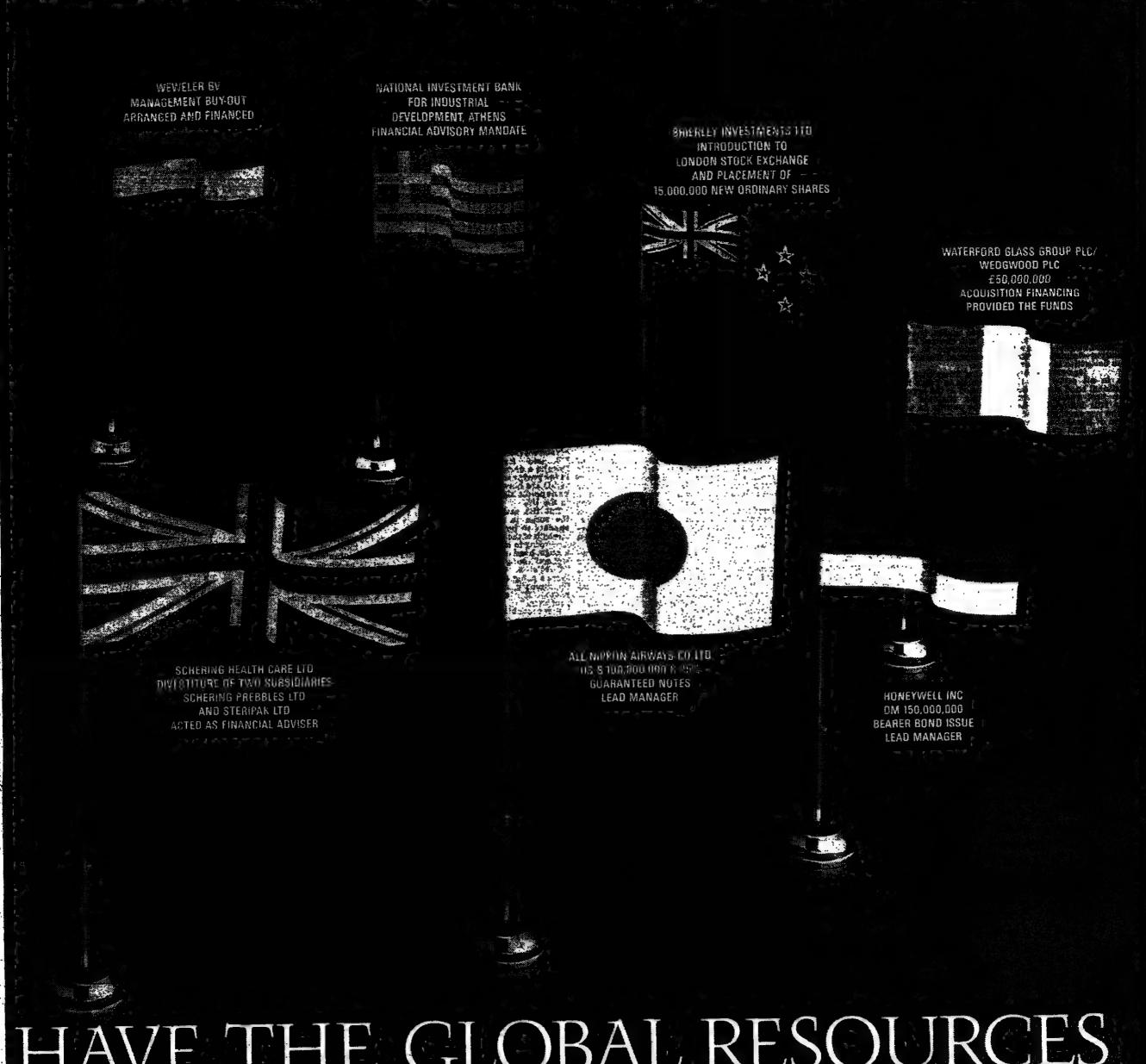
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Yen bonds

Foreign players allowed into medium-term game

LIBERALISATION OF the compete for business in Japan, domestic corporate bond mar-Japanese bond markets, after and the number of foreign-ket and easing the terms. The they had lagged for several owned banks and securities number permitted to issue un-years behind changes in other firms represented in Tokyo has secured bonds was more than sectors of the country's finan-grown dramatically in recent doubled to 170 this month, with circles of this process, the number allowed to issue

has had to confront the fact that end-investors. They are now ratings of the type long required rigidities and restrictive prac- pressing for a greater share in in the New York markets. The rigidities and restrictive prac-pressing for a greater share in in the New York markets. The tices in the Tokyo debt market this business as well as a larger leading US rating agencies, as thave become a matter of more foothold in the long-term bond than technical interest to the market.

Outside world. It has also seen The MoF has also been under its own policy goals thwarted by prethe market's shortcomings.

been soaring—belping to propel
Nomura Securities to top place
among lead-management Listing formalities for corposhare dropped to 36 per cent from 59 per cent

for other currency sectors such regulates, have been struggling as the dollar, and have been to establish a new equilibrium trading it in growing quantities of interests between banks and in Tokyo. In turning its attention to the domestic bond markets in the past six months or so, the Japanese Ministry of in the face of the rapid changes finance has been motivated by in financial markets that have so the controlled of the rapid changes in financial markets that have second the controlled of th

pressure of foreign govern-ments, especially the US though also the UK and other members also the UK and other members securities executives accept of the European Community, to that the two industries will have reduce Japan's huge payments to reach agreement between surplus by improving foreign themselves on where new borrowers' access to the Tokyo demarcation lines should be financial markets. Although Japanese banks have long been of Article 65. Until that hapmanning the biggest suppliers of funds to the international capibond markets seems likely to tal markets, much of this money remain stunted by their inceshase have raised outside Japan sant struggie over turf.

sectors of the country's mancial landscape, has been gathering pace much more quickly foreign bond houses have been convertible debt increased to
than most participants, whether allowed to join in the arrangeJapanese or foreign, had been
expecting.

The Japanese Government bonds and distributing them to companies to seek formal credit
and investors. They are now retinated to 170 this month, with
years. As part of this process, the number allowed to issue
convertible debt increased to
than most participants, whether
about 330 from 180.

To support this change, the
term Japanese government
authorities are encouraging
companies to seek formal credit

pressure to reform the structure of the Tokyo markets. Japanese The winner from the Tokyo markets' rigidity has been the companies have been turning markets' rigidity has been the increasingly to the offshore rapidly growing Euroyen sector. The volume of yen-denominated been both cheaper and quicker bonds issued outside Japan has

among lead-management Listing formatities for corpo-houses in all sectors of the rate bonds in Tokyo have been international bond market dur-ing the first quarter. Accor-ding to IDD Information Ser-vices, the yen accounted for 17 per cent of Eurobond transac-ding to the first quarter up politically embarrassing para-dictions in the first quarter up paries tapping the Europarkets vices, the yen accounted for 17 politically embarrassing para-per cent of Eurobond transac-tions in the first quarter, up panies tapping the Euromarkets from 12 per cent a year pre- for increasing volumes of funds viously, while the US dollar's will turning their backs on the enormous pool of liquidity

Japanese companies have seen most restrictions on their domestic context, the MoF's use of the Euroyen market lifted, while Japanese investors bureaux, under the assault of have been buying the paper eagerly at at time of uncertainy for other currency sectors such as the dollar, and have been trading it in growing quantities of interacts between struggling to establish a new equilibrium of interacts between buying the section of them.

several different, and some increasingly made an irrele-times conflicting, considers-vance out of the old distinctions ons. enshrined in Article 65— It has faced the continuing Japan's version of the US Glass-

Steagall Act.
Privately, many bankers and securities executives accept that the two industries will have

has been raised outside Japan sant struggle over turf.

The MoF's recent measures

Foreign financial institutions, have been directed mainly at for their part, have been broadening the number of comsteadily pressing for the right to panies allowed to use the

Most investment banks believe in carefully timing new issues.

Some even practise it.

well as three ventures set up by different consortia of Japanese institutions, are already operating but have yet to gain wide acceptance by investors.

Until they do, the commissioned bank system, whereby collateral has to be arranged at a high fee for each bond issue, seems unlikely to be dislodged. The banks, understandably, are unwilling to surrender this pro-fitable business unless the securities companies let them join in the bond markets.

Other steps being

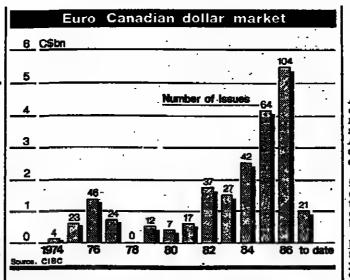
join in the bond markets.
Other steps being implemented this month have been: the shortening, from 25 days to 10 days, of the time between listing and issuance; the easing of prospectus requirements; the ending of restrictions on maturities and the ending of the so-called Kisaikai cartel mechanism, whereby uniform issue terms for all borrowers used to be set for all borrowers used to be set

A further step still under con-alderation is the introduction of a US-style shelf registration sys-tem, which would give issuers almost complete flexibility in iming.

Some of these measures are being extended to the moribund foreign bond markets in Tokyo. The larger of these, which has often seen active secondary trading, is the Samurai market (yen-denominated issues by non-Japanese borrowers); it has been characterised so far this year by redemptions of outstanding bonds running well ahead of new issues.

The much smaller and more The much smaller and more recent Shogun market (foreign currency-denominated bonds issued in Japan) has ground to a complete stop, partly because of lack of liquidity in secondary dealings and partly because of a tng-of-war over underwriting and commissioned bank fees between securities houses and banks.

Adrian Dicks



Canadian dollar bonds

Political stability attracts the overseas money

markets Canadian dollar sector are riding high on the back of strong foreign interest. Non-resident purchases

Non-resident purchases of Canadian domestic bonds soared from C\$11.4bn in 1985 to C\$23.1bn last year. Japanese holdings have grown from a quarter of the total to 41 percent. According to Canadian estimates, Japanese institutions are earmarking between one-tenth and a third of their foreign investments for Canada.

investments for Canada.
On the Euromarket, the number of new Canadian-dollar issues has climbed from 17 in 1981 to 104 last year, with the average size of each issue doub-ling to almost C\$100m. A recent feature has been the appearance of a growing num-ber of non-Canadian names. Borrowers in the past few months have included Denmark, the European Invest-

ment Bank, Deutsche Bank, Australian Industrial Develop-ment Corp, and City of Bergen. Canada's envisble political stability and steady economic outlook have played a part in outlook have played a part in drawing foreign investors. Canada has benefited from the plunge in the Australian dollar, which helped turn Japanese institutions' eyes towards North Americs. The growth of the swaps market has contributed to the proliferation of Euro-

BOTH CANADA'S domestic Canadian issues, many of which capital markets and the Euro- are quickly swapped into other

Investors have the advantage of interest rates well above both of interest rates well above both
US and European levels.
Despite a narrowing of the gap
in the past year, Canadian bond
yields are between 100 and 150
basis points higher than returns
in the US.

But the mainspring behind

both the domestic and EuroCanadian sectors has improved with rising volumes and the entry of a growing number of dealers and underwriters.
Four Canadian securities from MeLeod Young Weir, Dominion Securities, Burns Fry, and Wood Gundy—dominate the domestic bond market, But Canadian banks (notably Canadian Imperial Bank of Canadian Imperial Bank of Commerce), Japanese dealers and US firms are becoming

increasingly active.

The market is widely regarded as a model of efficiency and liquidity. The bulk of Government of Canada primary issues are allocated by auction Helped by the fact that more than tree-quarters of trading is in federal government bonds, the Bank of Canada is able to keep a watchful, but not over-strict eye on the market. Mr Cheesbrough likens its role to that of a "prefect in charge."

Canadian banks and secur ities firms would like to have ities firms would like to have a bigger share of Euro-Canadian issues. Orion Royal (a subsidiary of Royal Bank), CIBC and Wood Gundy are well established in London. McLeod Young Weir has tried especially hard in the past year to gain a foothold.

But with the bulk of investors in Euro-Canadian issues being outside Canada, many borrow-ers, including Canadian public sector entities, have preferred to give their business to the big US or European houses.

The banks hope that greater participation by Canadian institutional investors in the market, coupled with Canada's Big Bang, due to take place on June 30, will improve their competitive position. petitive position. The new rules will enable the banks, for the first time, to enter the domestic securities business, either by buying existing dealers or setting up new ones.

Shrugging off long-standing relationships between some Canadian borrowers and foreign underwriters, Mr Alfie Noakes, senior executive illegations of the West of t seen loyalties diminish."

Canadian National Railways appointed McLeod Young Weir last year as lead manager of two issues, breaking a nine-year relationship with Salomon Canadian Banks' efforts to win new business is illustrated

by CIBC's recent lead in putting together the first zero-coupon Euro-Canadian bond. The together the first zero-coupon Euro-Canadian bond. The C\$150m issue, which involved the restructuring of stripped Government of Canada bonds in a single-purpose holding, company was designed to appeal to European investors.

Australian and NZ dollar bonds

Paper suits many Germans

their savings accounts, average yields of only 2-3 per cent on equities and 6 per cent at best on domestic bonds, many West trail as favoured currencies.

German investors find high coupon paper from Australia and New Zealand understandably attractive.

The reasons are often as stark for the Swiss, and only slightly

for the Swiss, and only slightly less so for buyers in the Benelux countries. Put together, these continental European markets take the lion's share of Australian and New Zealand dollar Euro-paper. Such an investor-driven mar-

Such an investor-driven market is reflected in the type of issues launched. Many of the apparent peculiarities of the Aussie and Kiwl-bond sector fall into place when against this background.

against this background.
For a start, the issuers have
got to be familiar to end-investors; blue-chip international
corporates with high credit ratings have been among the most
prominent borrowers, along
with continental and West German financial institutions.

basis points nigher than returns in the U.S.

But the mainspring behind the surge in foreign interest appears to be the unexpected strength of the Canadian dollar. According to Mr Gordon Cheesbrough, head of bond trading at McLeod Young Weir, of Toronto, "there's a perception that there's an perception that there's going to be stability in the currency, and they've almost made it a self-fulfilling prophety."

Since touching a record low of 69 US cents, in February 1986, the Canadian unit has bounced back above 76 cents, its highest level in more than two years. Most of the increase has come since the start of 1987.

Earlier expectations of a weaker dollar before the end of the year have all but evaporated. June Reilly, assistant manager for financial markets research at Royal Bank of Canada, predicts that the currency will hover between 75 and 75.50 US cents for the rest of the year. "The major risk is upside;" he says.

The Bank of Canada appears keen to moderate the climb. It has been a heavy-seller of Canadian dollars in recent months, suggesting that it thinks a free-fall in interest rates would be short-lived.

The capital markets are wellequipped to handle the heavy business expected for the foresephile future. Liquidity in both the domestic and Euro-Canadian sectors has improved with rising volumes and the St for the bulk of Australian with rising volumes and the St for the bulk of Australian with rising volumes and the St for the bulk of Australian with rising volumes and the St for the bulk of Australian with rising volumes and the St for the bulk of Australian with rising volumes and the St for the form the course of the part of the par In the first three months of this year alone, bonds have been issued for such familiar institutions as GMAC, British Petroleum, the World Bank and BMW. Yet a top-notch name alone does not guarantee a welcome. Institutions which might expect to go down well in the much more professionally-orientated Eurodollar market can have a rougher ride from

ANYONE SEEKING a complicated mathematical or economic formula to explain the seesawing new issue market in Australian and New Zealand dollar European investors like double-digit coupon paper. Sometimes, the truth is really that simple, "says one West German investment banker.

Faced with returns of between 2 and 2½ per cent on their savings accounts, average complete the double digit in the Australian dollar paper. Therefore, as corporates find it very hard to raise money in their own back the fixed rate Australian dollar bankers.

Faced with returns of between 2 and 2½ per cent on their savings accounts, average counts, average completed in mid-domarket is very him and is dominated by the World Bank, for example, attracted considerable in the Australian dollar paper. There have also been some changes among the lead managers and market makers most offen associated with Australian dollar league in the Australian dollar league.

n interest in the Australian which used to rank very highly ing rate US dollars. Deutsche the Marks, Swiss francs and sterling trail as favoured currencies.

The Australian and New Zealand Eurobond markets are still young, but some clear trends have already emerged.

Investors have learned to become more and commerzbank, are likely to become

young, but some clear trends have already emerged.

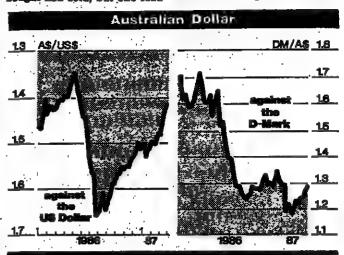
Investors have learned to be much more careful. Many continental European buyers have had their fingers burned, purchasing seemingly-attractive high-conpon paper only to see their returns falling away.

Danks, like Deutsche, Dresdner and Commerzbank, are likely to become more active as lead managers. Having seen their own bond issues sell like hot cakes, they are now starting to lead deals for other borrowers too.

Australia and New Zealand

tive high-conpon paper only to see their returns falling away owing to currency factors when the Australian and New Zealand currencies fell heavily in the first half of last year.

The extent of the damage depends on when investors bought and sold, but one lead-



in recommending them to buy developed immensery since use such bonds.

The much greater stability of remain, say bankers. For a start, the two currencies against thei investors demand for Austra-US dollar in the second half of lian and New Zealand names last year has made the markets remains very limited, despite appealing again for retail buyers. But only the foolish borrowing in their own currenwould place all their hardsers into Aussie or Kiwi the fact that such companies are buyers into Aussie or Kiwi the fact that such companies are evident in other currencies—if featers into Aussie or Kiwi the exists at all.

Paper. Moreover, West German More important, the distribution process for Aussie and Kiwi warn the "Tante Kimmas" dollar bonds remains slow (auntie Kimmas), who are the because of the market's retail country's proverbial small nature. "Banks cannot lead investors, away from such security the reaction paper.

LEISTI OLIAC

West German bank liminary to becoming more reportedly received bags of active as a lead manager.
mail from customers complain. The Australian and New Zealing of "disgraceful" behaviour land dollar bond markets have commending them to buy developed immensely since the bonds. first deals, but some problems

ties. away," says one banker. So, While the market remains while the sector remains lucra-

contourers.

By for the bulk of Australian increasing institutions trading and distribution for and New Zesland Eurobond interest—at least for certain Austie and Kiwi issues.

By for the bulk of Australian increasing institutional trading and distribution for and New Zesland Eurobond interest—at least for certain Austie and Kiwi issues.

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. 1	Bankers Trust	15	13	41	14.	Credit Sulars First Boston	2	9	67
	Deutsche Bank	· 12	12	50	15.	Swiss Bank Corporation	2	14	71
. ;	Salomon Brothers	12	7	50,	16.	Citicorp	2	10	9
.	Morgan Guaranty	8	7	54	17.	Semel Montagu	2	3	38
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(Up to and including February 18, 1987)

Ecu bonds

Gains without frontiers

as for losses.

And Ecu bonds are still earning a lower return than would European bond markets without a theoretical bond portfolio having to track specific borrowmade up of bonds in proportion ers and currencies.

to their participation in the currency itself According to a bad case of indigestion. In figures from Banque Paribas many ways, Ecu bonds had been Capital Markets, the actual Ecu a victim of their own success, yields are about 15 to 20 basis with demand driving yields so points below theoretical yields. low that investors felt it was no A porfolio manager with suffilonger worth buying them.

THE EUROPEAN Currency cleint cash to invest would do better to buy the bonds of Ecu currencies than to buy Ecu last spring, has re-emerged as one of the most important currency sectors of the market, building its niche on a whole new group of investors.

The dollar's sharp slide against the currencies of its major trading partners, particularly the yea, has made the Japanese investors, for the first time, the most significant buyers of Ecu bonds. It offers them a chance to diversify out of the dollar without concentrating assets too heavily in any single alternative.

Because of its make-up, the Ecu offers investors the gains of the West German, French and UK bond markets, while reducing the risks of capital for the West German, French and UK bond markets, while reducing the risks of capital gains seen in UK gitts or European community, weighted to reflect their relative integers and the dramatic capital gains seen in UK gitts or European community, weighted to reflect their relative importance.

To be fair, Ecu bonds have not earned the dramatic capital gains seen in UK gitts or European community, weighted to reflect their relative importance.

To be fair, Ecu bonds have not earned the dramatic capital gains seen in UK gitts or European community, weighted to reflect their relative importance.

To be fair, Ecu bonds have not earned the dramatic capital gains seen in UK gitts or European community, weighted to reflect their relative importance.

To be fair, Ecu bonds have not earned the dramatic capital gains as well as diversification dilutes the gains done the buyet the bonds of Ecu bonds are fell bounds simulation back to buy the bonds simulation that has become of Ecu bonds simulation that ha

since early March.

From the issuer's point of view, the need is less clear. Analysts point out that, aside from European supranationals, there are precious few institu-tions with a natural demand for Ecu. Nearly all Ecu issues are swapped, mostly into fixed or floating-rate dollars.



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 $\varphi = \{ x_1, \dots, x_n : x \in \mathbb{R} \mid x \in \mathbb{R} \mid x \in \mathbb{R} \}$

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investors over many years, we know their firm

courses. Having successfully built up relationships with

demand. We will gladly lend you an experienced hand.



INTERNATIONAL CAPITAL MARKETS 9

Swiss franc bonds

Market sings still higher after notes are added

uesday April 3

- 100 Day

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limited significance.

Large as the sum is, it omits total issues of medium-term notes for January-May of some SF7 7.9bn and those of so-called unpublished notes (what the National Bank now refers to as "real private placements") for the rest of the year. Nor, of course, can the 1966 statistics be compared with those of previous years. For all that, it is clear that the bond-plus-notes market has been breaking all the records.

The same is true over a longer time period. Over the past 10 wears, for example, the market Stock Exchange, is now calling

time period. Over the past 10 years, for example, the market value of domestic bonds rose by some 67 per cent—but that of

An idea of the size of the mar-het is given by the fact that the end-of-year value for Swiss and foreign bonds listed on the Zurich Stock Exchange was of SFr 192.7bn. This excludes the (unlisted) notes, some SFr 77bn worth of which were issued in

SWITZERLAND'S CAPITAL lect to constraints of size—both market continues to go from strength to strength. Even after a record redemption volume last year of SFr 3.6hn, the net call on the market for equities and fixed-interest securities reached well over SFr 43hn. In fact, even this figure is much too low, since it excludes substantial notes issued in the first five months of the year.

In the long-term sector, domestic bond issues totalled just over SFr 11bn. While this brought about primarily by an increase of activity on the Eurodollar market. The total of Japanese were the highest yet.

As substantial as domestic borrowings remained, they were outpaced more than ever by foreign Swiss-franc issues. Owing to a change in National Bank policy, by which bonds and notes were put in a single category as of June, the official new-money figure of SFr 36.7hn for calendar 1996 is of only limited significance.

Large as the sum is, it omits to the single to a change in fact of all Swiss-franc lores for a substantial part of the remainance of medium-term total issues of medium-term total indicate that about 90 per category is of June, the official issues of medium-term total issues of medium-term total issues of medium total markets.

The past year also saw a market the scoupe o

time period. Over the past 10 years, for example, the market stock Exchange, is now calling value of domestic bonds rose by some 67 per cent—but that of foreign Swiss-franc bonds by no less than 269 per cent.

The reasons for the popularity of the Swiss capital market are basically what they have always been: monetary and political stability, a sophisticated banking system and (for the borrowers) selatisate to stability to selatisate the system and the system for foreign Swiss-franc bonds. This, he says, should be obligatory and "easy for the layman to read." At present, Dr
vontobel points out, such ratings are of a voluntary nature only and their publication aimed at professionals."

The swiss investor in particular than the system and the sys

(unlisted) notes, some SFT 77pm tinguishing restrictions have worth of which were issued in been removed, notes are not the four-year period 1962-65 listed on stock exchanges and thus not subject to the same growth can continue at its prospectus requirements as bonds. Information to note have recent rate. Competing financial centres are developing fast, some cases prospectuses are while Switzerland remains sub-

D-Mark bonds

New-issue volume reflects stability

WITH A strong currency, stable economy and one of the highest savings rates in the world, the Deutsche Mark bond market remains highly attractive to borrowers and investors alike.

While foreign buyers have flooded into domestic government securities, borrowers continue to find the Euro-DM issues appealing.

That has been reflected

Graebner, one of the managing partners of BHF-Bank.

CSFS-Effectenbank has made the biggest impact. In particular, some of its debt-warrant deals and equity-warrant issues for Swiss names have gone entirely transaction impressed in for some criticism this year.

are concerned.
"Market shares have not really changed as new-issue volume has risen quite sharply," says Mr Wolfgang

stability, a sophisticated banking system and (for the borrower) relatively low coupons. Investors have long been free to put their money into the copper-bottomed Swiss franc, while borrowers feel there is less risk of messive revaluation than a few years aga.

An idea of the size of the market is given by the fact that the end-of-year value for Swiss and foreign bonds listed on the Szurich Stock Exchange was of SFr 192.7bn. This excludes the (mulisted) notes, some SFr 7/bn worth of which were issued in been removed, notes are not

tinue to find the Euro-DM issues appealing.

That has been reflected clearly in the new-issue volume of DM Eurobonds, which has risen steadily from DM 190n in 1984, to DM 31bn in 1985, and some DM 40bn last year.

The increase has come against the background of gradually falling bond yields over the past 15 months. According to an index of 890 outstanding Euro-DM issues, average yields have fallen from 6.82 per cent, at the end of 1985, to 6.31 per cent at the end of 1985, to 6.31 per cent.

Although they have fallen, yields have moved remarkably closely within a 75-100 basis point range over the period, subject to occasional hiccoughs.

The stability has meant that

the end of 1855, to 6.31 per cent.

April, the figure had slipped to 8.31 per cent.

Although they have fallen, yields have moved remarkably closely within a 75-100 basis point range over the period, subject to occasional hiccoughs. The stability has meant that "the market has been in reasonably good shape," according to a new-issues executive at a leading West German bank.

Berrowers may have been meen to tap the West German currency, but the picture at the moment looks particularly attractive from the investors point of view, both as far as domestic and foreign DM bond, are concerned. Though low by international standards, west German interest rates are at historically very high levels in real terms. Moreover, while aborterm rates have fallen, the decline has not yet been felt in longer term levels.

So the presnt West German yield is remarkably steep, and offers very good opportunities to buyers of 10-year paper in particular. Investors have so far been slow to grasp the opportunity.

Despite the Hheralisation introduced by the Bundesbank in May 1985, when it opened the door for foreign — but not Japanese—investment banks to lead-managee Euro-Deutsche Mark issues, the Euro-DM market has not shown that drastica change as far as lead managers are concerned.

"Market shares have not make a previously in the figure over the period, subject to occasional hiccoughs. The stability has meant that the market has not shown that drastics a change as far as lead managers are concerned.

"Market shares have not make a shad.

Barnowent looks particularly at the federal government's fiscal policy that has proved the meant that it is the federal government's fiscal policy that has proved the raled issues. It is the federal government's fiscal policy that has proved the meant that is severe to be surject in the investors for anges up to 0.25 cent per cent. has been a severe obstacle to new instruments like CDs and formally reneged on its pledge to repeal the tax, but the matter launary's general elections. Nevertheless, the objection to Japanese honses lead managing Euro-DM deals. Given the impact of Nomura in London, many West German hankers are already wondering what may lie shead.

Guilder bonds

Loss of business stemmed

more foreign players join the game.

New financial instruments stock exchange have fuelled the are growing in popularity, and the Dutch "clover leaf" of top banks has shown a faint sign of been alsahed, a professional losing its virtual monopoly on the issuing market. While the January 1 1986 deregulation is launched, and the stamp duty only gradually producing changes the rules of the game.

The result is that Amsterdam has begun to turn the tide on the

Commission feels that publiclyoffered notes should be obliged
to be backed by a prospectus—
and corresponding liability on
the part of issuing banks—and
is in the process of negotiating a
convention to this end with the
Swiss Bankers' Association.

In the meantime, there is still
no lack of borrowers and investors in both categories. In the
domestic sector, where much of
the new issues are as always on
behalf of banks, straight bonds
are currently running at about
4½ per cent and equity-linked
bonds at anything from 2 to 3½
per cent. Foreign Swiss-franc
bonds now have coupons of 4½
4½ per cent (though do not seem
to be stiracting much custom at
this level) and straight notes are
marginally lower.

This is, of course, a substantial real interest rate in the light
of a Swiss inflation level of a
bare 1 per cent. Switzerland's
powerful institutional-investor
community is taking advantage
of this, quite apart from the
many foreign buyers for whom
Swiss-franc paper is a valuable
portfolio element. There seems
no reason why business should
not go on flourishing.

John Wicks

However, the Swiss Banking Commission feels that publicly-offered notes should be obliged

AFTER GETTING off to a slow were granted the right to lead start last year, the Netherlands' manage issues, to underwrite as liberalisation of its capital marmuch as one-third of an offering kets is picking up speed as instead of only one-fifth, and to banks gain experience and tap the Dutch market themmore foreign players join the selves.

Reforms at the Amsterdam New financial instruments stock exchange have finalled the

are different now, and everyone knows it.

The liberalisation of already fairly open capital markets was aimed at keeping Amsterdam competitive with larger and more sophisticated financial more sophisticated financial trading in Dutch stocks and centres, notably London. New kinds of securities were allowed, with shorter-maturities and floating interest rates such as commercial paper, certificates of deposit (CDs) and floating-rate notes (FRNs). Bullet bonds, which are redeemed in one lump sum, were permitted, whereas before only serially and floating interest rates such the Amsterdam stock exchange, as commercial paper, certificates of deposit (CDs) and floating-rate notes (FRNs). Bullet bonds, which are redeemed in one lump sum, were permitted, whereas before only serially redeemed bonds were allowed. Issuing procedures were simplified by making the Dutch central bank's rigid queue system for tapping the market more flexible. Now borrowers must give only short notice to the central bank and can go to the market pretty much when they want.

Foreign financial institutions around the Amsterdam stock exchange, according to the Amsterdam stock exchange. Bond trading outside Amsterdam stock exchange. Bond trading outside Amsterdam bock exchange. Bond trading outside Amsterdam stock and in near stock and in provide and in near stock and in provide
have doubled to Fl 1.8bn now, ing the growth of innovative profrom half of that at the end of ducts in Amsterdam.

December, while CDs have jumped 40 per cent to Fl 4.8bn conservative lot, have shown a now from Fl 3.48bn at the end of Central ambivalence for the flacember.

now from Fl 3.48bn at the end of December.

The commercial paper market they were announced by the took off after October 1986 when they were announced by the finance Minister in November 1985. The liberalisation meato provide clearing for the paper in an effort to settle a as a bitter medicine that must aquabble among commercial be swallowed to keep Amsterbanks. Algemene Bank Nederland: I harpest bank, spearheaded complaints against is arch-rival, Amsterdam-Rotterdam Bank (Amro), the number two bank, cautious approach, so that (Amro), the number two bank, claiming that Amro had a conflict of interest as national orderly markets. Like its UK depositary for Euroclear, the

claiming that Amno had a conin flict of interest as national
depositary for Euroclear, the
top clearing company.

So the Dutch central bank
agreed to clear all commercial
paper in a bid to prevent the
market from foundering on the
squabble. Since then the country's biggest cities—Amsterdam,
Retterdam and The Hague—all
have launched commercial
paper programmes.

Greater familiarity
apparently is needed to promout livelier markets in more
of the "clover leaf" of Dutch
banks The issue was a Fl 100m
subordinated loan on behalf of
banks RUFs and note issuance
facilities (NIFs) in solvency
retics.

Foreign banks, in contrast,
have shown greater enthusiasm
for the liberalised markets. In
the past year-and-a-half a bevy
of prestigious names have set up
shop in Amsterdam, including
the past year-and-a-half a bevy
of prestigious names have set up
shop in Amsterdam, including
the past year-and-a-half a bevy
of prestigious names have set up
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of prestigious names have set up
shop in Amsterdam include
the "clover leaf" of Dutch
banks. The issue was a Fl 100m
the "clover leaf" of Dutch
banks. The "clover leaf" of ABN, its merchant banks ubsidiary, Pierson, Heldring &
Heldring & Hope,
Amro and its merchant banks ubsidiary of prestigious names have set up
shop in Amsterdam, including
the past year-and-a-half a bevy
of prestigious names have set up
shop in Amsterdam in the "clover leaf" of Dutch
banks. The issue was a Fl 100m
the counterpart, the Dutch central
banks. The "clover leaf" of Banks, the "clover leaf" of

Paper issues

Interest-bearing guilder-denominated bearer paper with a maturity of at least two years, and an amount of at least FISOm (amounts of FI bn) 1966 1985

Central Dutch Government 14 22.1 Banks 4.25 2.98 Other residents International Institutions 2.45 2.4 Other non-residents 25.8 32.6

Eurogulider notes (included in figures

1.75 2.12 above)

Source: Dutch Central Bank house, in setting up a 50-50 mer-chant bank in Amsterdam.

In February, Credit Suisse-First Boston became the first foreign bank in history to lead manage a guilder bond issue, a privilege usually reserved for the "clover leaf" of Dutch

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OESTERREICHISCHE KONTROLLBANK AKTIENGESELLSCHAFT OESTERREICHISCHE LAENDERBANK AKTIENGESELLSCHAFT

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RNM. ROTHSCHILD & SONS LIMITED

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SOCIETE DES CIMENTS FRANÇAIS
SOCIETE NATIONALE DES CHEMINS DE FER FRANÇAIS (SNCF)
SOCIETE NATIONALE ELF AQUITAINE.
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French franc bonds

Oats and auctions the key to the new market

explosion in trading volumes, them an edge in the market-the French franc bond market place, such as the famous "Gis-has had a distracted look to it. The structural changes which indexation on the price of gold the market is undergoing have relegated to the level of statistics the switchbacks in interest.

The first Oats were issued in

At the root of the transformation is the French Treasury, the main borrower on the French capital markets. It has actively promoted the structural reforms which it saw as necessary to ensure that its expanding demands for funding could be met efficiently and cheaply by the markets.

In 1985, the State accounted

Obligations Assimilables du tion system has saved it around Tresor (or Ozis) standard bonds, which can be issued in tranches; and the institution of a regular calendar of Dutch auctions to replace the placing with a syndicate of banks that was used up to the middle of 1985.

But other changes have come thick and fast, from the creation of a continuous market at the stock exchange for the main government stocks, to the ending of already taking on the role of

of a continuous market at the stock exchange for the main government stocks, to the ending of withholding tax on new bond issues, to the launch of a new market in financial futures, the Matif.

The withholding tax was not applied to government bonds—thus creating distortions in the market—and was first removed from bonds issued by supranational bodies. It was finally removed from all new issues

The new bond, which is the new bond, which is already taking on the role of money market benchmark now that the official fixing for overnight rates has been suppressed, was placed with a syndicate bank.

FFr bond

The new bond, which is new bond, which is already taking on the role of money market benchmark now that the official fixing for overnight rates has been suppressed, was placed with a syndicate bank. remauonal codies. It was finally removed from all new issues from January 1 this year, and replaced for tax-exempt institutional investors by a 10 per cent corporate tax on bond income.

The creation of the Oats has greatly simplified the market in government bonds. Over the years, the state had tended to issue increasing numbers of

reaching record levels for new teristics—often endowed with issues and experiencing a real little fiscal peculiarities to give explosion in trading volumes, them an edge in the market-

tics the switchbacks in interest rates, surges in the flow of savings into the financial markets and booms in dealing activity which would, on their own, have made the past year memorable to market participants.

At the most of the transformer.

be met efficiently and cheaply by the markets.

In 1985, the State accounted for 32 per cent of new issues on the French bond market, and for 39 per cent of turnover in the secondary market. Last year, it south trading in State bonds in the official secondary market more than tripled to FFr 965hn, 58 per cent of total volume.

Behind the changes lie two main measures taken by the markets.

Example, the gap between the minimum price accepted by the Bank of France and the average price of the auction as varied between 0.17 per cent and 0.27 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent of new issues, in the price of the auction as varied between 0.17 per cent and 0.27 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent on the variable rate stocks and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent on the variable rate and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxically reached 0.37 per cent on the fixed rate stocks and paradoxic

Behind the changes lie two
main measures taken by the
Treasury itself estimates
main measures taken by the
that the full play of competition
of arising from the use of the auction system has saved it around
the full play of competition
of arising from the use of the auction system has saved it around
0.5 per cent on the total of its

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abandoned the technique of syndication, so too, in smaller measure, have private sectors— who have also to a great extent turned away from the bond mar-

ket towards equity issues.

Among the factors contributing to this development is the raising of the threshold above which bond issues have to be approved by the issue commit-tee. This has led to an expansion of the so-called "little mar-ket," where new issues are usually only narrowly syndi-

The result of these changes has been to create a market dominated by a handful of government bonds, with issues from the competitive sector tied closely to these benchmark

The effect has been enhance by the creation of the Matif, whose futures contract on a notional government bond with a 10 per cent coupon and a life of seven-to-ten years has been outstandingly successful in its first year of life.

The new contract has given

market operators new opportu-nities for managing their posi-tions, and it is no accident that more than half the turnover on the secondary bond market is in

the stocks underlying the Matifilion bond contract.

Bond market participants are more fearful for the current year, however, seeing increasing competition on one side from short-term instruments, where the commercial paper, treasury bill and certificate of deposit markets are opening up; and on the other side from the equity market, where the suc-cess of the French Govern-ment's privatisation programme is accelerating the movement of dometic savings into shares in preference to bonds.

George Graham

FFr bond issues					
	(by sector, FFr bn) 1984	1985	1986		
ublic services idustrial and commercial ither financial institutions tate ocal authorities oralgn otal	37.4 40.0 58.2 . 84.9 10.4 1.2 242.1	30.4 56.4 96.1 97.6 21.7 4.8 307.0	49.0 46.5 83.1 141.3 25.4 1.5 346.8		
numer COR.					

International equity trading

Minefields await the unprepared

trading has become such a larly in the US, to look overseas fashionable talking point in to improve portfolio performancial institutions across the world that it is often difficult to under a lot of pressure to perdistinguish fact from wishful the larly and the larly as the larly in the US, to look overseas fashionable talking point in to improve portfolio performance and the larly in the US, to look overseas fashionable talking point in to improve portfolio performance and the larly in the US, to look overseas fashionable talking point in to improve portfolio managers are world that it is often difficult to under a lot of pressure to perform the under the

It is true that cross-border trading of shares has grown thanks to rising stock markets remarkably quickly, particuaround the world and a falling larly over the last 18 months, dollar, and their success has led spurred by a combination of factors which has increased both overseas." US holdings of demand and supply. But it is foreign stocks are now estimized for the unwary or illar the business is a mated at about \$50 bn. minefield for the unwary or ill- A change in US attitudes has

that they can issue shares more cheaply overseas.
Morgan Stanley, for example, estimates that Euroequity issues grew from \$1.5hn in 1963 to \$3.5hn in 1965, and then rocketed to \$14hn in 1966. In the first quarter of this year, Euroequity issues totalled some £2.5hn.

rouses totalied some 22.5bn.

From the point of view of cross-border share trading, however, privatisations have been a mixed blessing. The fear of political failure has meant many of the share offerings have been underwiced. This may have encouraged foreign buyers to lock in hig short-term profits and avoid currency risks, rather than to

become long-term holders of shares, leading to substantial flowback in some cases of expensively-placed foreign shares to the home market. been a gathering interest in

Morgan Stanley's London office.
"So far, they have had it easy,

prepared. also been critical. Five years
The move worldwide to lift ago, American pension fund
controls on capital movements managers risked being sued for The move worldwide to lift controls on capital movements and on financial markets, in an attempt to ensure that capital markets work effectively, has also provided a major impetus.

"Deregulation is more than just a political theme: It is caused by the increase in efficiency of international communications and the information technology revolution. You have barriers breaking down all over the world, where before people were unable to invest outside their own borders," said Mr Nigel Johnson-Hill, head of international equities trading at UK broker Hoare Govett, a subsidiary of Shearson Lehman Brothers of the US.

From the supply side, the fashion for privatisation of state-owned companies, which has spread from Britain, has increased the capitalisation and liquidity of domestic share markets. This has led many other share issuers to the realisation, or at least the hope, that they can issue shares more cheaply overseas.

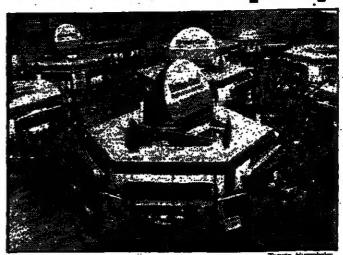
Morgan Stanley, for example,

published by Morgan Stanley and by the Financial Times. But many brokers are pinning their hopes for the future of international equities trading on the increasing awareness of on the increasing awareness of overseas stock markets by the Japanese. If, as many expect, they continue to turn their attentions away from the US Treasury bond markets and towards world stock markets, world share trading and share values could be transformed. institutions, many securities firms have concluded that they need to provide two key elements—research and liquidity.

Mr David Ruck-Keene, a dire-

"Our research product is now global. We look at a sector globally rather than geographically now." Brokerage firms are running ahead of the institutions in the overseas markets.

"There has been a clear move areas of research, and it is in over the last 1½ years for the field of specialised research



	nternational sha Purchases and s			_~
82	1983	1984	1985	+1986
7	39.3	30.7	45.9	72.09
2	13.2	26.8	54.5	89.6

that small companies, such as London-based ARK Securities, London-based ARK Securities, liquid markets, formed around a breakaway group of international share traders from stockbrokers Quilter Goodison, reckon they can find a niche.

*First nine months (US), first 11 months (Japanese)

find a niche.

Inconsistencies in accounting international equities along with secondary market skills.

"In rising markets, marginal another, which there are now players can succeed in the efforts to address, is one factor secondary market. In falling which makes research critical. "The very low level of accounting information in many mar-kets has been improving, but it's still a research-driven business," said Mr Adrian Cowell, of

"The market fundamentals are there for everybody to see.
We want to know why stocks
move in spite of the fundamentals," said Mr Johnson-Historically, research has

markets, the link between ary and secondary markets is of increasing importance." Mr Michael Cook, of Warburg Securities, said.

The biggest trap for the unwary is liquidity, linked in some markets to the enormous;

processes can be immensely complex and it's where all the profits that we can generate on the executions side can disap-

been the strong point of both US and UK securities firms, a factor which may give them the Spain and Italy are the most edge in the early days of international securities trading. But national spotlight. The general few believe this market edge view is that the Spanish system under which all transfers of Brokers link research with shares must be made through the issue of "knowing where the spanish market to be legal,

tent than the Italian system, where clearing banks come in

In Spain and elsewhere, brokers often suffer from "buying in " rules, in which exchanges an order which the broker has been unable to perform, usually because of a lack of liquidity.

"If we haven't delivered, the stock exchange will automatically buy-in the stock, but one said a trader.

Brokers would obviously wel-come an international settlecome an international settlements systems for equities along the lines that Cedel and Euroclear have set up in the Eurobond market, and which have proved so successful in helping it to grow. But not all are equally optimistic about the chances of achieving this soon. As it is, settlements can vary between 24 hours, in the case of the Tokyo market, and weeks or even months in the case of some European markets.

So will the internationalisa-tion of share markets result in equalisation of company an equalisation of company share price performance? Will the British market—gross dividend yield of about 3.5 per cent—rise to the level of the Japanese market, which yields about 0.5 per cent?

Well, probably not. There will be some meeting of perform-ance if the growth of inter-national share trading con-tinues, but domestic institutions

That importance of domestic institutions will rise and fall, however. In a worldwide bear market, institutions could be expected to become extremely defensive, and that would involve withdrawing to within their own borders. For this reason, many see the international share market growing in wave-like fashion as institutions extend overseas and then That importance of domestic tions extend overseas and ther ettlement difficulties. withdraw, and then start to look
"The sentiments and clearing abroad again."

That is the way it ought to be.

"You want to have the stock sitting with the guys who are giving it the highest value at any point in time. This may, at some point in time, be the domestic market, but this shouldn't necessarily be a problem," said Mr Eilon of Morgan Stanley.

Regulation

Pressure mounts for global consistency

the driving forces behind the prosecution and, ultimately, great changes that are taking cancellation of the right to do place in international finance. business. And there certainly have been subsequently, Isro was major reforms in the last year or merged with the Stock two, particularly where the Exchange's regulatory body to opening up of domestic capital create the Securities Associamarkets to newcomers and tion, with Mr Andrew Large, the foreign institutions is concluded requiring of Switz Bank

growing movement among national regulatory authorities, to harmonise their standards and requirements at a global level as a response to the fast-growing internationalisation of the finance and investment banking business.

The first trend is most obvious in London, the home of the

in London, the home of the Euromarkets. When Big Bang first started rumbling two or three years ago, it was unclear whether it would affect the international capital markets, which bore little connection with the Stock Exchange where the main changes were taking

However, as the debate about regulation developed, it became obvious that the Euromarkets would have to be included partly because it would be absurd to make such a conspi-cuous exception. But the most pressing reason was that the liberalisation of the UK mar-kets made it harder to draw a and international markets, par-ticularly since the same institutions were now equally active in

The London Stock Exchange was combined with the interwas combined with the inter-national securities markets to create the International Stock Exchange. And the Euromarket institutions formed their own Self-Regulatory Organisation (Isro), with the framework of the new Financial Sources Act to new Financial Services Act to regulate their members. Although an SRO is officially a voluntary organisation, in prac-tice any, financial institution now offering investment ser-

DEREGULATION—THE pro-vices in London fells within a towards securitisation of bank-nations, set capital require. Their efforts were boosted by cess of lifting regulatory bar-statutory framework backed by ing assets as the area in need of ments for off-balance sheet the major accord signed in

the traditionally regulation-free that it can cope with the torrent Euromarkets are now being of new instruments that has included in the new regulatory poured out of the markets in the regime created for the Big Bang poured out of the markets in the regime created for the Big Bang poured out of the markets in the regime created for the Big Bang poured out of the markets in the post two years, but also to enable it to keep pace with intovation.

In a major report last year, the changes in the financial services industry. The other is the growing movement among

the new instruments being pro-duced were little understood, they said, and priced at levels which did not reflect their true risks. Banks were increasingly exposed, through their dealings in securities, to securities

the basis of how likely it was to land the holder with losses. This "risk weighting" was already in use in some countries for traditional banking assets, such as logge.

rises (nevolving Underwriting Facilities, Note Issuance Facili-ties, etc.) They have now moved on to address more complex instruments, such as foreign exchange and interest rate swaps, options and forward rate agreements.

opening up of domestic capital create the Securities Association, with Mr Andrew Large, the foreign institutions is concerned.

However, few people in the financial world would argue that the process of deregulation is a straightforward affair, or that it is even moving in a consistent direction. There are plenty of examples of new and tighter regulations being imposed on the financial markets and their participants.

Some bankers would go so far as to say that they are actually suffering from "re-regulation"— for example, in Loudon where the traditionally regulation-free that they are actually system to change, not merely so the traditionally regulation-free that they are actually system to change, not merely so the traditionally regulation-free that it can cope with the torrent of new instruments that has a constant of the problem of houses that might be subject to less stringent prudential requirements. The report also pointed to the problem of less is this work by the crisis at the ure requirements. The report also pointed to the problem of houses that might be subject to less stringent prudential requirements. The report also pointed to the problem of houseing the regulation of banks and securities houses who, in most countries, are plenty of examples of new and design and of financial market effectively being shut the crisis at the ure requirements. The report also pointed to this work by the crisis at the ure requirements. The report also pointed to the problem of harmonising the regulation of banks and securities houses who, in most countries, are plenty of examples of new and constructions or substitutions or substitutions to this work by the crisis at the ure requirements. The report also pointed to this work by the crisis at the ure requirements. The report also pointed to the problem of harmonising the regulation of banks and securities houses that might be subject to this work by the crisis at the ure requirements. The report also pointed to the problem of harmonising the regulation of banks and se

"risk weighting" was already in use in some countries for traditional banking assets, such as loans.

Last year, many countries, able to achieve some kind of including the UK, the US, Japan and a number of European their risk weightings.

January between the UK and the US, which is designed to bring about the convergence of banking supervision in the two countries. It is hoped that the document will acquire other signatories before long on the continent, but most particularly Japan whose financial institu-tions are considered to enjoy unfair regulatory advantages.

admitted that it had major gaps in the area of securities regulain the area of securities regula-tion. The best it could do was say that discussions about this subject "will be carried for-ward urgently" with the appropriate regulatory author-ities—in this case the UK's newly-created Securities and tracetiments Record and the SEC Investments Board, and the SEC in the US. Agencies in other countries are also being con-sulted.

It may still be some years away, but these developments suggest the emerging shape of some future international reg-ulatory structure which will be appropriate to a global market.



rees Offices; New York, Los Angeles, Seattle, Chicago, London, Hamburg, Brussels, Singapore, Hong Kong, Houston, Mexico City, São Paulo, Frankfurt, dnd, Seout, Manda, Jeleste, Barngkok, Kusla Lumpur, Beijing, Therian, Shanghal, Sydney olly-coverd Subsidiaries: Talyo Kobe Bank (Conada), The Talyo Kobe Bank (London), Talyo Kobe Finance (Schweiz) AG, Talyo Kobe International Med [London], Talyo Kobe Finance Hongkong Limited, Talyo Kobe Financial Futures (Singapore) Pta Ltd., Talyo Kobe Australia I Indian rg) S.A., Telyo Kobe Finanz (Schweiz) AG, Telyo Kobe Int a (Singapore) Pte Ltd., Telyo Kobe Australia Limited

(INTERNATIONAL CAPITAL MARKETS 11)

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Eurocommercial paper

Borrowers' confidence grows

paper market has taken strides towards maturity in the past few months. The range of both borrowers and investors has been broadening, and a core of active and successful dealers is beginning to emerge.

Meanwhile, the volume of

Euronotes issued under tender panel arrangements, set up as part of note issuance facilities, is falling, and a number of those facilities have been cancelled. Instead, borrowers are more confident that they will be able to issue paper simply by arranging Eurocommercial paper programmes without a direct underwriting back-up facility to ensure issuance if market conditions get tough. There are now nearly 400 programmes

ditions get tough. There are now nearly 400 programmes arranged, and the use of many programmes is increasing. Chrysler Financial, for example, appears to have become the market's most active issuer with over \$700m outstanding. General lictors Acceptance Corporation and PepsiCo are among other important corporate issuers; and there are several fairly sizeable sovereign issuers, with French institutions becoming increasingly active. Borrowers such as Electricite de France and Belgium have recently felt confident enough of the state of the market to arrange programmes.

rammes.

Both benefiting from and aiding this process, investors seem to feel that the Eurocommercial paper market now offers an assurance that the type of paper they want will be available when they want it. The traumas of the floating rate note market have fuelled investor interest in alternative instruments, helalternative instruments, helping to produce some particu-larly active issuing weeks in the early months of 1967.

comparate investors in Eurocommercial paper are taking an
increasing proportion, as well
as institutional fund managers,
with banks tending to buy paper
which is less than top-rated and
therefore high-yielding. Central
banks are important buyers of Citicorp Investment Bank. Swiss

Eurocommercial paper is a short-term instrument; offered continuously on behalf of the continuously on behalf of the borrower by appointed dealers. It has the boon of simplicity for borrowers. Mrs Rosemary Carawan, of Swiss Bank Corporation International, says that it also gives you superior control over the product and much more consistent pricing than a tender panel."

No figures for Eurocommer-

more codsistent pricing man a tender panel."

No figures for Eurocommercial paper market's size are available, though this may become more possible as a result of collaboration on statistics between the Bank of England and a trade association.

Desilers' estimates of the size of the market consequently suffer from a good deal of marketing hype. But more reliable guesses of the amount of paper outstanding range from \$25bn to \$35bn, not counting Euronotes issued through tender panels which may account for another \$5bn or \$0.

money.

Among leading dealers are Citicorp Investment Bank. Swiss Bank Corporation International and Shearson Lehman Brothers International Merrill Lynch, S. G. Warburg, Morgan Guaranty and some of the other US investment banks such as Morgan Stanley Salowan Brothers and Stanley, Salomon Brothers, and CreditSuisse First Boston are

CreditSuisse First Boston are also important players.
Whether or not dealers have been successful depends to some extent on the view they took on the future structure of the market. A flerce debate which raged in the early days of the market, on whether Eurocommercial paper should be traded or firmly placed with end-investors, is now fairly well resolved.

resolved.

The view of most successful dealers is that they should not sell paper to other professionals; that they should place paper with end-investors; and that they should stand ready to buy and re-place paper should investors wish to sell before maturity.

paper dealers than others, has its dealerships under active

review and may make some changes when the programme is

a year old. GMAC's arrival in the Euro-

medium term notes: paper offered continuously like com-mercial paper but for longer maturities. GMAC has just com-

menced a \$1bn programme and expects to concentrate on 18 month to two-year maturities, filling a gap for investors between abort term instruments

which may account for another which may account for another without pain for the dealers which have attempted to develop the market. Many put considerable marketing effort and staff into it, believing that and staff into it, believing that an early push was necessary because, in the end, the spoils would go only to a few.

The abake-out that they foresaw is now well under way. Appointments of new dealerships, are increasingly concentrated among the handful of banks which have muscled their way up the league tables. Others have quietly shifted their refer to develop a liquid trading market, they have been discouraged from doing so by experiences such as with GMAC. When its programme commenced nine months ago, it quickly ran up outstandings of \$1bn. These saw is now well under way.

Appointments of new dealers way up the league tables. Others have quietly shifted their city of US borrowings for

AS THE role of banks as the main source of funds in the world's capital markets has declined, so growth in the alternatives to bank finance, such as commercial paper, has accordingly

accelerated.

In the United States, which still dominates the world's commercial paper market by a huge margin, outstanding issues have doubled to over \$220bm in three we would have liked came back years. Fledgling markets are appearing all over the world, their development in some cases linked with the fast growing. Eurocommercial paper market. into the secondary market, and trading got sloppy. That bothered us quite a lot." Though GMAC does not object in principle to the existence of a secondary market—since, as Mr Van Orman says, it is only realistic to expect an end-investor occasionally to want liquidity—it was particularly concerned about the impact on the primary market.

market. This development has been accelerated by the worldwide deregulation and reform of financial markets.

Borrowers' perceptions have changed, too. "Increasingly, a lot of top-ranking corporates see their credits as being as good as the banks," said Mr Charles Mitchell, head of Midland Montagu Commercial Paper, in London. "If this is the case, why should they have to cerned about the impact on the primary market.

GMAC is interested only in getting the cheapest possible funds, and therefore has a policy of not paying more for its foreign borrowings than it could obtain in the domestic market, where it has \$31bn of commercial paper outstanding. Enrocommercial paper is thus a marginal additional source of funds. Mr Van Orman says it is on average about 10 basis points more expensive than domestic Paper, in London. "If this is the case, why should they have to pay for the privilege of using the hanks as intermediaries?"
Using commercial paper, they can often reduce borrowing costs without giving up the flexibility provided by bank finance. At the same time as

more expensive than domestic funding but that there are windows where it is cheaper.

Mr Van Orman says GMAC is happier with the performance of some of its Eurocommercial Commercial paper Workswide lagues (of which foreign issues commercial paper market, hailed at the time as a key point in its development, has thus proved a salutary lesson. It is also giving a significant boost to the nascent market in Euro-Hong Kong

Domestic commercial paper

Deregulation aids fledgling markets

range of investors.

As a result of the change in As a result of the change in the pattern of net international financial flows over the past few years, investors who have a strong preference for holding tradeable paper have come to the fore as suppliers of funds at the same time as borrowers familiar with borrowing in this way here become the major takway have become the major tak-ers of funds," said the Bank of England in a recent assessment of commercial paper markets.

The development of commercial paper markets has, in some countries, been delayed by established bankers' acceptance markets. In the UK, for

example, the market in commer-cial paper has probably just sur-passed film, whereas the ster-ling bill market exceeds fifth. ling bill market exceeds fil7bn.
Commercial paper, though, is
not always cheaper than bank
bills for the borrower. "In the
sterling market, the relationship between the cost of drawing bills with an acceptance
commission of 15 or 36 of a percent, and that of commercial
paper, is pretty volatile." said
Mr. Mitchell, of Midland
Montagu.

Many incurry also see the nac-

Many insuers also see the nas-cent domestic markets as an adjunct to the Eurocommercial paper market, offering issuance in a variety of currencies and the possibilities of currency swaps to further reduce borrow-

diversifying their sources of only one borrower-Allied funds, companies can get their Lyons-has chosen to issue names known to a broader paper through a tender panel of paper through a tender panel of bidding banks, the most common Euromarket practice. UK companies have generally

preferred to appoint dealers for the paper, in the belief that this gives them greater flexibility in maturities and places the paper, which, as in the US, is rarely traded on the secondary market, in firmer hands. Another area in which other

markets have followed US prac-tice is that of ratings. The US rating agencies still dominate the Euromarkets, although ear-lier this year a European rating agency, Euroratings, was set up. In certain of the domestic mar-kets, such as France and Australia, there are domestic rating agencies.

The following brief assessments of the main domestic commercial paper markets draws heavily on a survey in the Bank of England Quarterly Bul-letin of February 1987. The figures in brackets are the approximate size of each market in late 1986.

United States: (\$320bn). The oldest commercial paper market, developed in the early 18th

Issues are exempt from registration with the Securities and Exchange Commission as long as the proceeds are used to fund working capital. While the market has doubled in size in Source: Stock of Sugand

Swaps to further reduce borrowing costs.

Of course, practices among
three years, the greatest rate of
increase has been in issues for
increase has been in issues in
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Australian dollar denominated

paper. Canada: (\$11.4bn). The second oldest and the second largest of the domestic commercial paper markets, launched in the early markets, launched in the early 1950s. Unlike US paper, that issued by Canadian companies is usually secured. The bankers' acceptance market, however, is larger than that in commercial paper, with some \$18.6bn outstanding in late 1986.

France: (\$4.0bn). Launched in late 1985, Paper may be issued only by non-bank French companies and subsidiaries of foreign companies. By late 1986, there were well over 100

there were well over 100

issuers. United Kingdom: (\$1.0bn). It was not until march 1900 that
the Bank of England gave the goahead for sterling commercial
paper. To be eligible, a company must be listed on the London Stock Exchange and have
net assets of at least £50m.
Anstralia: (\$4.3bn). One of the
most fully developed of the
domestic markets it has been in
existence for more than a

domestic markets it has been in existence for more than a decade. Known locally as the promissory note market, it received a boost from the abolition of stamp duty in 1983. There are no restrictions on issuers.

Spain: (\$5.4bn). Opened in 1982, the market has grown resided despite the extension of rapidly despite the extension of reserve requirements in 1984 to

bank-guaranteed paper.
Although issuance fell in late
1985 with the imposition of withholding tax, the market recovered after a subsequent sharp decline in the Treasury bill

rate. Sweden: (\$7.4bn). Established in the early 1980s, it is now the third largest domestic market. Average maturities are around 30 days, and the market is used by about over 100 Swedish entities and local subsidiaries. Hong Kong: (\$1.2bn). After a few issues from 1982 to 1984, the market took impetus from a ruiing that the issuance of commercial paper was not the equiva-lent of taking deposits. In 1985, months of 1986, a further six. Stephen Fidies

Futures and options

New players speed trade

RISK MANAGEMENT is the growth industry of the eighties. The development of the futures and options markets and the growth of the international capital markets have walked hand in hand.

As the volstility of exchange and interest rates has increased, and the prices of securities thus been prone to sharper fluctuation, investment institutions have moved to protect their portfolios; and futures exchanges, from Chicago to London and from Paris to Tokyo, have profited from the boom.

For years, the biggest volume contracts on the US future exchanges have been those based on the Treasury bond market Last year, the T-bond future on the Chicago Board of Trade saw a staggering volume of 52.6m contracts, nearly three times as much as its nearest rival.

times as much as its hearest rival.
Successful futures and options contracts normally depend on increasing volume in the underlying market. In the eighties, the value of US treasuries on issue has increased as the budget deficit has mushroomed. In addition, the speed of trading has picked up as new players have entered up as new players have entered the market. Banks and securthe market. Banks and securities houses now regard market-making in Treasuries as a vital part of their business, and the need for capacity in the US mar-het has created a knock-on effect into other government securities markets.

recurities markets.

The Big Bang turned the gilts market from an effective duopoly into a erowded 27-strong battlefield, and foreign houses have moved in to exploit nouses never moved in the basic their US treasury muscle. As a result, the health of the London International Financial Futures Exchange (Liffe) has vastly improved, with the long

rivals.
The gilt futures market not The gilt futures market not only gives the market makers a natural place to hedge their positions, but, given the relatively small size of the London bond market, allows them a trading vehicle to justify the expense of setting up the gilt dealing arms.

Of course, the Euroboad mar-

hand in hand.

Growth began after the debt crisis, as banks' balance shetts became weighed down with problem loans.

The banks accordingly became interested in off-balance sheet instruments—trend reinforced as companies by-passed the banks and borrowed directly from investment institutions, with the banks acting merely as distributors of paper.

Description of the London down with desiring arms.

Of course, the Euroboad market is also centred in London. As yet, no Euromarket futures we high has been developed, although Liffe and the CBOT are currently working on a contract. The problem lies in the diversity of the market Government bond markets have a single credit risk—the Euromar-

ment bond markets have a single credit risk—the Euroman-let contains everything from the World Bank to junk bonds. Issues are also made in a bewildering veriety of currencies, maturities and structures and all that makes constructing the "average bond" on which the contract could be based a complex procedure.

At the moment, Eurobond market makers use the T-bond and the T-bond futures markets as hedging vehicles but, such are the fluctuations in spreads between the Treasuries and the Euromarket, that hedging by that route is entremely difficult. Liffe is apparently working on the construction of a weighted index of the most actively traded dollar Eurobonds, which could form the basis of a futures

could form the basis of a futures contract.
Years of capital outflow have left the Japanese as the world's dominant investors, with the result that they are significant holders of overseas bonds and equities. In Tokyo, the financial futures market has shown explosive growth sines it opened in October 1985, based again on the success of a domestic government bond futures contract.
But, as yet, regulatory prob-

introduce futures on Japanese government bonds by the end of May, with the CBOT likely to follow suit. But if the problems of Japanese securities houses in hedging overseas can be solved, the potential volume will be a glittering prise for futures exchanges to grasp.

In the equity mariests, a lot of attention has been paid to the effect of triple witching days, which occur each quarter, when stock index fatures and options on individual equities expire together. The arbitrage possibilities between the different contracts has caused dramatic price changes on the witching days, and has prompted much criticism from those who criticism from those who believe that computer-triggered trading decisions, allied to a speculative market, have caused unnecessary velatility. The Standard and Poor 500 Index, traded on the Chicago Mercantile Exchange, is the second most traded futures contract in the world; but in Britain, the Liffe contract on the FTSE-100 index has been far less successful.

The contract represents less than 5 per cent of the volume of total option business, which eriticism from those

total option business, which continues to be dominated by trading in individual options on domestic equities. UK fund managers have found it difficult

managers have found it difficult to persuade their trustees that they should be allowed to use the index market, with its "speculative" counciations. While they stay away from the contract, volume remains alugish, which in turn discourages further entrants.

Traded options on individual equities have become more acceptable, with equity fund managers writing options on their individual holdings to earn money on previously "pas-

opened in October 1985, based again on the success of a domestic government bond futures contract.

But, as yet, regulatory problems prevent the Tokyo market volume, both the Hong Kong From launching its own US Treasury Bond contract, and Japanese securities houses are forbidden to hedge their T-bond positions in the US. Overseas, there is no hone-based positions in the US. Overseas futures exchanges have accordingly been forced to concentrate on the domestic Japanese contract, and investors market.

Liffe is currently planning to their individual holdings to their individual holdings to earn money on previously "passive" holdings.

Overseas, there are few otherstock-market contracts with any volume, both the Hong Kong Hang Seng and the Australian Sydney All-Ordinaries lagging well behind the S & P. As yet, there is no hone-based Japanese contract, and investors must rely on the Nikkei 225 index traded in Singapore until the Tokyo Stock Exchange hings in a broader contract and their individual holdings. market. Liffe is currently planning to

Philip Coggan

A

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INTERNATIONAL CAPITAL MARKETS 12

Export finance

New rules promise a lift

are looking to the capital mar-kets to help them out of the doldrums which has beset their business through lack of borrower demand.

The slump in infrastructure spending in the developing world has meant that there is simply less and less business around to finance these days. According to latest figures from the British Overseas Trade Board, foreign orders won by UK construction and civil engineering concerns slumped to £1.8bn in the year to March 1986 from £2.4bn a year earlier. The drop is largely thought to have reflected the trend in the world market which has not improved since.

improved since.

Fartly as a result of this, some institutions have wound down their activities in medium-term export finance. Those that are left face a highly competitive situation in which the talk is mainly of innovation and finan-

mainty of innovation and man-cial engineering.

Project finance was once a highly attractive business to banks because of its combina-tion of lucrative margins and industrial country export credit agency guarantees, but it has

capital market.
This is not to say that the scope for bringing the capital markets into play is not there.
Refinancing of the export credit debt owed by developing countries that has been rescheduled could have the market busy for could keep the market busy for a long time, but has so far been limited to a small number of

relatively specialised exercises. Yet largely because of the complicated drawdown period attached to such finance, use of the swap market so far has been rather limited.

The use of the capital market in export credit finance should receive a big push soon when Britain's Export Credits Guarantee Department agrees new rules with UK banks cover-

But borrowers pay only the sub-sidised fixed rate of interest agreed under the OECD conser-

on behalf of the Treasury.

Last year the Government proposed new rules for this procedure which were designed to cut the cost of the subsidy by paring down the margin over Libor that banks received on their funding. However the proposals caused a storm of pro-test from the banking community which argued that export

redits were already an uncer-tain business which would become altogether unattractive if the rate of return was cut. The compromise now under discussion would involve a cut in the margins. But, in addition, banks would be able to refinance the asset in the capital markets, allowing them to earn markets, allowing them to earn fee income, and possibly a trading return as well. Once the debt had been refinanced there would be no need for a margin to be paid at all, though banks would be compensated for this by a continuing fee from the ECGD for managing the paperwork involved in the transaction.

not proved to be a satisfactory alternative for banks seeking to diversify out of the dwindling syndicated loan market.

Yet, for all the talk, the use of innovative new techniques has been slow to take hold in practice, not least because the export credit world deals in longer time horizons and more complex situations than the integrational structure in the proposals have yet to banks in their completed form. But the supposition is that they will go shead some time this year.

to be particularly happy.
Though most accept that the margins on export credit business will have to come down, ness will have to come down, many bankers say that the existing system offers a reward, not only for the work they do in preparing loan schemes that are successful but also for their work on schemes which do not see the light of day because the contract is lest

new rines with UA banks covering the way in which they are remunerated for providing subsidised export credits.

At present, the funds are made available by the banks in guaranteed by SACE, Italy's

LIKE THEIR colleagues in the the form of a floating rate loan international syndicated loan carrying a margin over London involved the creation of a spe-market, export credit bankers Interbank Offered Rate (Libor). cial funding vehicle, Italfun-ding which will hold the debt and refinance it through the agreed under the OECD consensus. The difference is made up gan Grenfell had arranged similar to the banks by the ECGD acting lar deals before for Brazil and Ecuador this was the first time that a Europote facility had been used as the borrowing

> The notes should be attractive to investors because they offer what is effectively Italian risk at rates rather higher than Italy

would normally pay.

More such operations are expected as both investors and the export credit agencies themselves become more familiar with the concept. But bankers received there are still practical. reckon there are still practical limitations to using the capital market in this way to fund new

Of its very nature, export cremarket may find that its offer of finance comes to nothing because the industrial concern fails to win the contract for which it is bidding. Some banks reckon that their actual hit rate on export projects is as low as one in ten or even worse. Not only is there a long period

is hard for bankers to give a firm indication of the rates that the capital market will accept when the project is launched, but the drawdown period of the funds may also follow a lengthy and complex schedule which is hard

market practice of instantaneous drawdown.

A similar problem applies in the swap market which theoretically holds great application for export credits. This is because of the interest rate sub-sidies available to borrowers, under the so-called Consens on export credits, agreed through the Organisation for Economic Co-operation and

The subsidy means that developing countries which import goods from, say Britain, can finance their purchase in see the light of day because contract is lost.

Refinancing of export credit assets means they would risk losing a continuous return on the business and that might still i drive some banks to look more favourably on business with content, more flexible export credit into another section, more flexible export credits. One British clearing banker reckons it is even theoretically possible to provide Yen finance at zero rates of interest using the swap market and subsidised

Syndicated Eurocredit NOTHING EXEMPLIFIES the so-called securitisation of inter-national financial markets so

The descent may be over

New rules on bank capital adequacy introduced jointly by the US Federal Reserve and the Bank of England seem unlikely to stop with these two countries.

American—institutions.
Squeezed by the competition In addition, and perhaps more importantly, the first cracks have started to emerge in the among banks for new business and by competing instruments such as commercial paper, marsecurities markets which have replaced bank loans as the cenmarket have also declined to tral form of finance for many borrowers. Uncertainty has spread out from the market in perpetual floating rate notes into other areas of the floating nariet have also declined to record levels.

Nevertheless, there have been a number of recent developments that lead some

bankers to argue, albeit tenta-tively, that the market may have reached its low point. in some issues and prices have suffered unprocedented declines in a market where liquidity and certainty of capi-tal are critical. Certainly, the attraction to international banks of generat-ing off-balance sheet business has started to wane.

Central banks have turned their attention from banks' direct exposure a concern trig-gered by the emergence of the

rate note market.

Trading has at time dried up

When floating rate notes started to emerge as an alterna-tive to loan finance, the jus-tification for the finer margins

Third World debt crisis, to off-balance sheet items—contingent liabilities, exposure in the swap and foreign exchange market and the like.

New rules on bank capital

they allowed borrowers to a mechanism through which market resistance to finely-priced deals might result more could sell his asset at any time, the argument went, he would be willing to accept a lower margin.

At the same time, the same time and the same time.

by on it.
Whether or not liquidity has now been called into question and cannot again be taken for granted. Some FRNs may in fact be only as liquid as syndicated loans, participations in which are to finely in an increase in fees and margins. At the same time, the deterioration of the FRN market has closed one source of relatively cheap bank funding. As bank funding becomes more expensive, so does the incentive for banks to price deals a sively.

through swaps on fixed-rate Eurobonds, but there are limits to the possible size of these

dit market is more than just a function of reduction access to borrowers in other markets. The fall in FRN prices may provide

again be taken for granted for banks to price deals aggressione FRNs may in fact be only as liquid as syndicated loans, participations in which are also tradeable, albeit in a thin market.

It seems as if the decline of the FRN market may close it for some time to come for all but the highest quality borrower. Borrowers may still be able to tap cheap floating rate funds through swaps on fixed-rate in the arm. however, when it in the arm, however, when it was called upon by British Petroleum to arrange \$5bn in financing towards the oil company's \$7.4bn tender offer for the remaining 45 per cent of Standard Oil that it did not own.
In five business days, banks had committed more than

\$15bn, the largest commitment of funds ever made in the Euro-markets. At a rate of \$3bn a day

and an average bank commit-ment of over \$250m, the response was staggering.

In a sense, the market had proved it could deliver what BP needed—huge sums at remark-

able speed—in a way that other markets could not. The BP credit was the sort of deal in which banks are showdeal in which balls are showing an increasing interest.

After the refinancings and other credits for sovereign borrowers during 1988, the

banks' appetite for more of the same is limited, as shown by the resistance to such deals as the \$1bn refinancing earlier this year for state-owned Electricite de France. Banks increasingly say they

are hitting country limits for many of the regular visitors to the Euromarkets. Corporate names on the other Corporate names on the other hand can bring all the advantages of "relationship banking," including commercial paper dealerships and other fee-earning business. Many in the syndicated loan department of international banks are thus saying corporate lending will be the major focus of their activity in the coming year.

Developing-country debt

Glimmers visible through the gloom

SINCE MEXICO sank into finan-cial crisis in 1982, the handling every 90 days because of the of the ensuing debt crisis in stringencies of US banks' developing countries has been one of prolonged crisis manage.

The view that the debt crisis is

starkly as the decline in the importance of the syndicated credit market during the 1980s.

Over the last 12 months, there has been little evidence that it

will be will be reversed. Accor-

ding to figures published by Morgan Guaranty, the volume of

new Eurocurrency bank credits fell to \$82.8bn last year from \$110.3bn in 1985. Indeed, the

signs are that the shrinking business is becoming increasingly concentrated in the hands of a few-mostly

gins and fees in the Euro

developing countries has been one of prolonged crisis management by government and commercial bank creditors.

The approach, involving the repeated negotiation of debt rescheduling and new loan packages backed by International Monetary Fund agreements, has succeeded in buying time, which avoided the collapse of the world's banking system.

Yet it is tempting to believe that Brazil's unilateral suspension of interest payments on \$588m of debt to banks, in February this year, following the collapse of its Cruzado Plan's has invalidated the approach.

The country's crusading finance minister, Mr Dilson

The country's crusading finance minister, Mr Dilson Funaro, has called for a new deal with creditors, under which Brazil would continue to

an insoluble and worsening problem is also encouraged by problem is also encouraged by the self-isolation of Peru; the slide last year of Mexico, and this year of Ecuador, into econo-mic difficulties after previous progress; and the chronic prob-lems of smaller debtors such as

Bolivia.

World Bank figures on financial flows also illustrate the depth of the problem. Net transfers into the 17 developing countries with high debt and debt service ratios turned negative in 1963. In the four years since then, a total of \$81.6bn has flowed out of these countries, mainly as a result of interest navments.

payments.
There is little sign of voluntavoid having economic policies debtor countries. Banks' agreed with the IMF and would' approach to the debt problem receive financial flows enabling it to avoid recession. Mr Francisco Gros, the recently instalbined with continuing renegotiations and new "forced" loan packages, would

prepare the ground for borrow-ers' eventual return to the capimarkets for voluntary Yet despite the recent gloom,

there are also positive signs for creditors. There has been no inclination among borrower countries to form a debtors' cartel. Instead, simost all have emphasised that they want to meet their commitments to cre-ditors. Some have made adv-ances in their ability to do so.

Both it and the Philippines have negotiated deals with their banks, under which they will repay small amounts of princi-pal and have interest set at %

were an isolated case and not a precedent for other countries. That agreement, which reschedules debt over 20 years and provides for no principal repayment, set an interest rate of it over Libor. Banks were strongarmed into the deal by the US Government overnment.
As a major debtor with a

As a major debtor with a successful economic programme in place, Argentina's protracted negotiations on a new rescheduling and loan package may provide a better litmus test than any other current negotiations of the way the esticia solve. ances in their ability to do so. ramme in place, Argentina's Chile, for example, has considerably reduced its debt now rescheduling and loan through swaps of debt into equity, and might well have received new voluntary lending rent negotiations of the way the way it is not for the political sensitivity of such a move.

Venezuela is poised to receive new voluntary lending. Both it and the Philippines have negotiated, deals with their seek some capitalisation of

Both it and the Philipplnes have negotiated deals with their seek some capitalisation of banks, under which they will repay small amounts of principal and have interest set at 16 flowever, many US bank have percentage points above London interbank offered rates (Libor).

The effect of these agreements has been to emphasise the banks' point that terms on the parks' point that terms on they are not technically required to do this until interest.

rescheduling for Mexico, still in the final stages of arrangement, were an isolated case and not a precedent for other countries.

is 90 days overdue.

Banks are in no mood to treat Brazil kindly because of its unilateral action on interest. payments and its subsequent freeze on short-term interbank and trade credit lines. In addition, Brazil's government, look-ing increasingly beleaguered at home, has produced no econo-mic measures. It also appeared to be trying to by-pass the banks by making the rounds of govern-ment creditors in a whistle-stop tour by Mr Funaro.

Though the governments gave him short shrift, there is a growing belief among them, and even among bankers, that banks must adopt a more flexible approach to the debt crisis which will contain a south in the debt crisis which will be a second or the debt crisis which will be a second or the debt crisis which will be a second or the debt crisis which will be a second or the debt crisis which its second or the debt crisis which will be a second or enable economic growth in debtor countries to be financed more expeditiously.

The Baker Plan, the US-spon

sored programme for fostering growth in highly-indebted countries, sought substantial new financing from commercial banks which has not so far been forthcoming. Banks have forthcoming Banks he already produced a "menn" financing options, provide

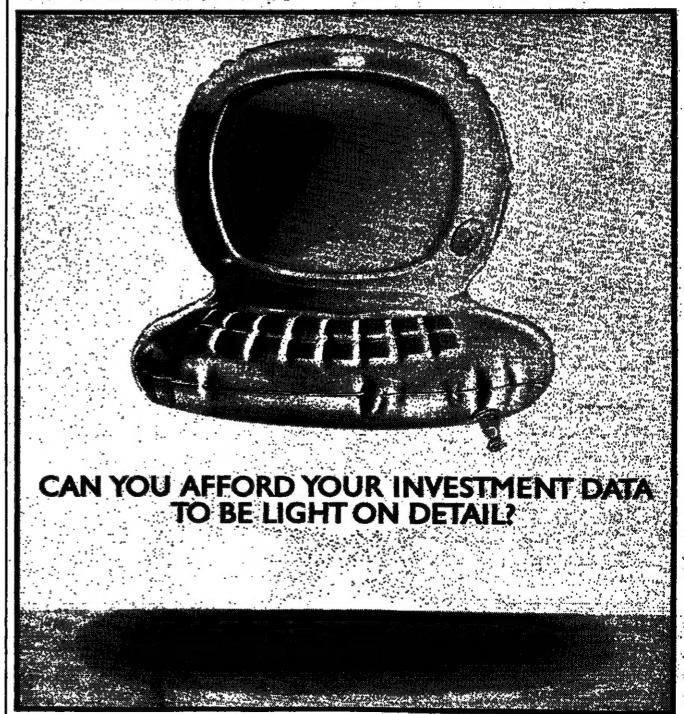
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